Public Service Pension Plan
BRITISH COLUMBIA
2009 Annual Report

Building a future together...

Public Service
Pension Plan

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Public Service Pension Plan

2009 Annual Report

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FINANCIAL HIGHLIGHTS

Investment—Financial Highlights for the year ended March 31, 2009

The past year has been volatile and challenging for the capital markets as the world faced the most severe financial and economic crisis in decades. During this period, the Public Service Pension Plan (plan) benefited from its conservative asset mix approved by the trustees and from the plan's professional investment management which incorporates thorough due diligence, diversification, and a disciplined long-term view. As a result, the plan fared better than most other pension funds in Canada. Nonetheless, the plan's investments were not immune to the broad market downturn. As at March 31, 2009, the plan's assets were valued at $14.9 billion, down from $17.6 billion the year before. The plan's basic and inflation adjustment accounts returned -14.2 per cent and -14.5 per cent, respectively.

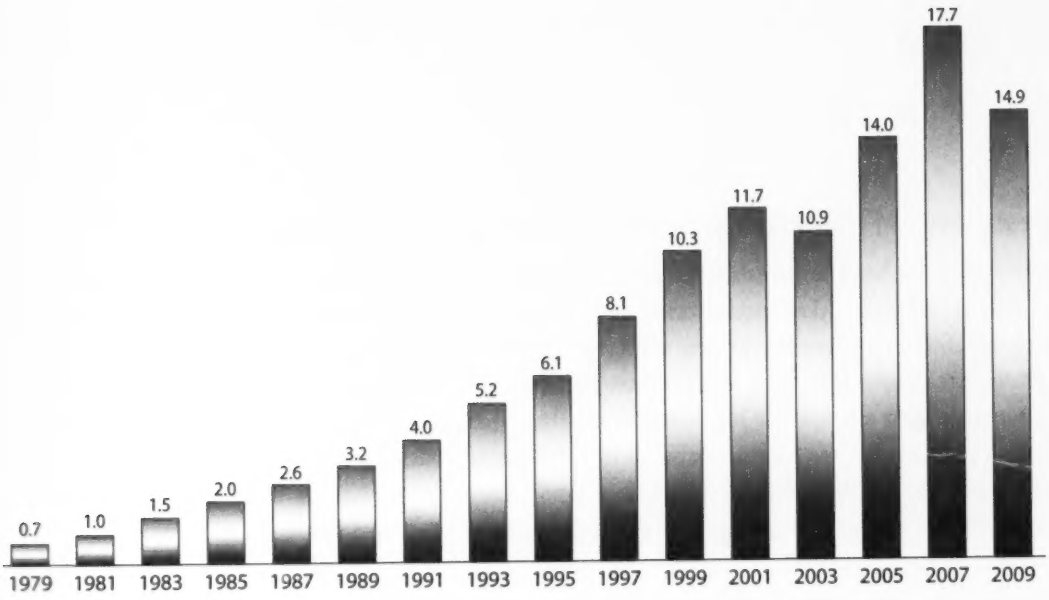
Equity markets in particular were exceptionally weak in 2008–09. For the year ending March 31, 2009, the Canadian stock market declined by 32.4 per cent and most world stock markets fell by 30 per cent or more. As a result, the plan's combined equities returned -30.5 per cent, after converting to Canadian dollar terms. Domestic real estate holdings also struggled against deteriorating market conditions to return -7.8 per cent. In contrast, bonds and short-term investments performed modestly well as investors looked to more conservative investments to protect their capital. The plan's combined fixed income return was +3.9 per cent in 2008–09.

During the year, the plan's investment manager, British Columbia Investment Management Corporation (bcIMC), managed the assets more defensively by holding a higher proportion of fixed income and real estate, and a lower proportion of equities. While this approach helped preserve capital during the downturn, several investments underperformed their market benchmarks, due to the highly volatile and challenging market environment. This caused the investment portfolio as a whole to trail its benchmark of -10.5 per cent, the first such underperformance in five years.

Following the close of the plan's fiscal year, mixed financial market and economic news have set an expectation for continued volatility in the year to come. Given its long-term investment horizon, the plan will remain focused on holding a well-diversified portfolio and following a disciplined, long-term approach to managing the plan's investments.

Net Investment Asset Growth

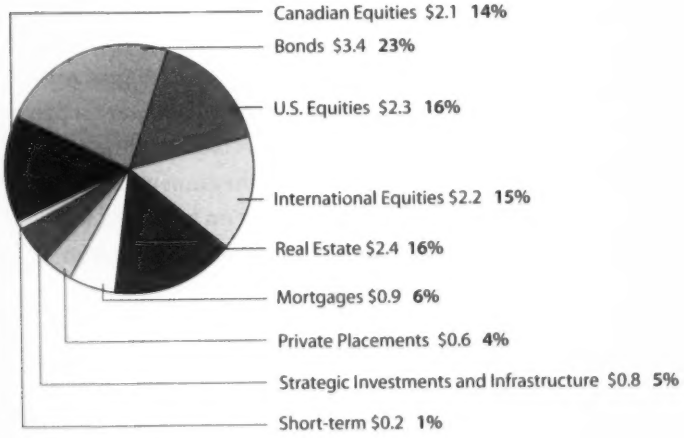
Net Investment Assets as at March 31, 2009 (Market Value)
$ Billions



Investment Holdings (Market Value)

as at March 31, 2009

$ Billions



MESSAGES

Trustees' Message

Welcome to the Public Service Pension Plan's annual report for the fiscal year ending March 31, 2009.

The Public Service Pension Board of Trustees is pleased to manage your pension plan, administer benefits and invest approximately $14.9 billion in assets on behalf of our 107,000 plan members.

Through prudent and disciplined investment practices, the board along with our investment agent, the British Columbia Investment Management Corporation, cautiously manages investments and contributions.

This past year was a challenging period for most major pension funds across Canada. The market downturn in the fall of 2008 resulted in investment losses for most pension funds, and the Public Service Pension Plan (plan) was not immune to this.

Members know the plan has always been a sound place to keep pension investments. And in tough economic times, the security and safety of the plan hold true more than ever.

There are a couple of things that ensure the pension fund's viability for the future. One of the strengths of a defined benefit plan like ours is the system of checks and balances designed to maintain the fund's health, such as the plan's valuation report that takes place every three years.

The last valuation for the plan, at March 31, 2008, was conducted by an independent actuary, Eckler Ltd. This report showed the plan continues to be financially sound and had a surplus of $487 million with assets of $16.2 billion and liabilities of $15.7 billion.

Although the amount of the surplus may seem large, it is just over three per cent in comparison to the fund's overall value. As a result, the surplus has to stay with the fund to act as a buffer against future adverse events.

In addition, trustees were required under the *Pension Benefit Standards Act* to implement a contribution rate increase. In January 2009 we announced that member and employer contributions would increase 0.15 per cent of salaries effective April 1, 2009. Further details on the contribution rate change are available inside.

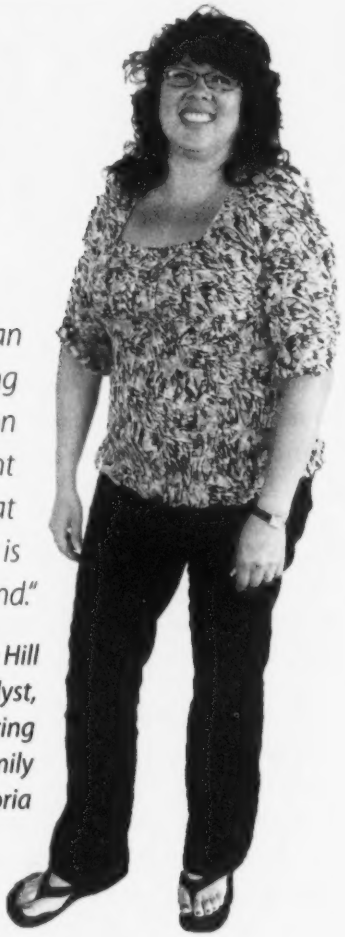
Having a buffer against economic turmoil provides added security for plan members. In today's more challenging economic times the advantages of a defined benefit pension plan give our active and retired members the security of knowing their pension is safe.

The long-term stability of the plan is foremost in the minds of trustees. Generating returns is as important as ensuring costs are sustainable.

During the fiscal year, the board was concerned about the increasing costs of health care, as trustees want to ensure members' benefit packages continue to deliver the best value for the money available. To this end, the board took steps to continue controlling health care costs. In May 2008, for example, the board asked the federal government to stop proposed amendments to the Patented Medicines Regulations. Changes to the regulations would have limited retirees' options to purchase lower-cost prescription drugs, meaning more out-of-pocket costs for retirees and increased health benefits costs to the plan.

Early in 2009, we welcomed Pacific Carbon Trust and the Southern Interior Development Initiative Trust as new employers with the plan.

Whether you are long-time or recently retired, an active member who sees retirement in the not too distant future, or a new member for whom retirement seems a far off dream, you can be confident that we are all building a future together.



"As a Public Service Pension Plan member, I feel secure knowing that I have something to rely on when I approach my retirement years. It's great to know that I am part of a plan that is financially sound."

Sue Hill
Corporate Budget Analyst, Financial Planning and Reporting Ministry of Children and Family Development, Victoria

Message from British Columbia Investment Management Corporation Chief Executive Officer/Chief Investment Officer

As investment manager to the Public Service Pension Plan, we recognize the importance of staying focused on the plan's long-term investment objectives regardless of the short-term ups and downs of the financial markets.

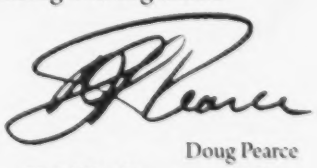
During 2008–09, market and economic conditions turned sharply negative which impacted all investors. The typical Canadian pension plan earned a return between -16.3 per cent and -16.7 per cent. The market downturn highlighted the importance of prudent due diligence, long-term disciplined investing, diversification of investments, and the role that the British Columbia Investment Management Corporation (bcIMC) plays in building and preserving the plan's assets.

The plan's basic account returned -14.2 per cent for the year ending March 31, 2009. While this result is very disappointing, it does compare favourably to the results of other Canadian pension funds, ranking in the top 25 per cent. The plan's relative success was largely attributable to the conservative investment policies set by the plan's trustees, combined with bcIMC's risk management approach. Both of these factors ensured the plan successfully avoided some of the costly missteps that negatively impacted other investors. For example, the plan was not directly exposed to any of the risky investments that were at the root of the market upheaval such as subprime mortgages, non-bank sponsored asset-backed commercial paper (ABCP), or complex derivatives. Furthermore, the plan did not use leverage in the public markets which increased the losses for other pension plans. As a result, the plan, unlike many other investors, did not have to sell any assets at distressed prices during the market decline.

Looking forward, bcIMC anticipates that 2009 will be another challenging year in the markets. However, bcIMC has confidence that the coordinated policy measures by global leaders will eventually restore stability to the market. While market fluctuations can be unsettling to plan members, they have the beneficial effect of creating opportunities for well-positioned investors such as the Public Service Pension Plan to acquire high quality investments at attractive prices. In this regard, bcIMC continues to take advantage of opportunities to buy undervalued assets that will enhance the future long-term value of the plan.

Regardless of the market environment, bcIMC remains committed to carefully managing its costs, thereby allowing a greater proportion of investment return to pass through to the plan. As an example, bcIMC operates on a not-for-profit basis so that our fees continue to be significantly below those of other investment managers. In addition, responsible investing continues to be an integral part of bcIMC's investment philosophy. I encourage plan members to learn more about bcIMC and our responsible investment activities by reviewing our website: **www.bcimc.com**.

In closing, on behalf of all the staff at bcIMC, it has been a pleasure working with the Public Service Pension Board of Trustees, and serving the members of the Public Service Pension Plan. We look forward to building a strong future together.



Doug Pearce
CEO/Chief Investment Officer
British Columbia Investment Management Corporation

Message from the Chief Executive Officer, Pension Corporation

I am pleased to have joined the Pension Corporation in December 2008 as its new chief executive officer. It is a privilege to be part of a high performing organization with a solid reputation for excellence in customer service.

We, on behalf of the Public Service Board of Trustees, provide full customer support to the 58,010 active and 34,683 retired members by telephone, mail, online, through e-mail, and in person at our location in Victoria. We are proud of the service we provide and the recognition we receive as one of Canada's leading pension service organizations.

The Public Service Pension Plan, through the Pension Corporation, provides service at a cost per member comparable to our industry peers, and continues to rank lower than most similar pension plans of its size. The cost for plan administration is $107 per member.

While we are very proud of our accomplishments, we have more work to do to ensure we maintain cost-effective and high-level service. This is especially important in the difficult times that we face in the pension business. We need to be well positioned to meet current and future challenges. In the months and years ahead we will be looking within our organization to continue to improve our business processes, better leverage technology and invest in the development of our staff.

Several significant renewal projects are already underway. We are currently replacing the system we use to administer retired members' pensions and services. This new system will improve our internal processes and help us better serve retired members. We are also engaged in a comprehensive learning and development program for our staff to ensure they have the skills and tools they need to serve you. These, and other improvements, will increase efficiency and help us provide an even better service experience for our active members, retirees and employers.

None of this would be possible without the tireless and careful work of the employees, management and executive of the Pension Corporation. We all continue to work hard to serve you by ensuring you receive great value and service you trust from people who care.

I'd also like to thank Louise Young for her service as interim chief executive officer. Louise retired from the Pension Corporation after serving as chief operating officer and vice president, information management, finance and administration, for more than 16 years. We all wish her the very best in her retirement.

I'm excited to work with the staff and the Board of Trustees as we move forward and continue to enhance the service experience. On behalf of everyone at the Pension Corporation we look forward to serving you in the years ahead.

Thank you.

Laura Nashman
Chief Executive Officer
Pension Corporation

TRUSTEES

Public Service Pension Board of Trustees (As at March 31, 2009)

JOYCE BURNS has been a trustee since January 1, 2001. Her appointment to the board is through the B.C. Government and Service Employees' Union (BCGEU).

Joyce is employed by British Columbia Ferry Services Inc.

JOHN COOK has served as chair of the Public Service Pension Board of Trustees since its formation in 2001. He is appointed by the board.

John started with the BC Superannuation Commission, the precursor to what is now the BC Pension Corporation, in 1979. He was appointed as commissioner in 1983, a position he held until he retired.

An actuary by profession, John has more than 30 years of experience in the pension and benefits field. He serves on a variety of BC pension boards.

JOHN DAVISON is director, Labour Relations Branch with the BC Public Service Agency, and was appointed to the board by the provincial government in 2007.

Previously a director at the Public Sector Employers' Council Secretariat, John helped carry out government's oversight responsibilities related to the major BC public sector pension plans and Canada Pension Plan.

John is an experienced trustee and was formerly a trustee with the College Pension Board and the Municipal Pension Board.

DAVID DAY became a trustee with the Public Service Pension Plan in 2001. Appointed by the Province, his background is in human resources and benefits.

David is executive director of the BC Excluded Employees Association, and brings 34 years of experience in management positions for both the private and non-profit sectors. As a human resources advisor, one of his earlier jobs was to advise employees on their defined benefit pension plan.

David has completed courses and training on pension administration and management. These include courses through the UBC Sauder School of Business and the Pacific Business and Law Institute.

JUDI FILION has been the secretary-treasurer of the B.C. Government and Service Employees' Union (BCGEU) since 2005.

She was appointed to the Public Service Pension Board of Trustees on April 1, 2007. Her appointment to the board is through the BCGEU.

Judi has completed courses with the International Foundation of Employee Benefit Plans and the Advanced Trustee Management Standards program.

ALANA GALLAGHER joined the board of trustees on April 1, 2006. She has more than 20 years of experience as a financial strategist and treasury management professional in both the private and public sectors.

Alana has been employed with British Columbia Ferry Services Inc. since 1995, where she is the Treasurer and a member of the executive team. She is responsible for capital budgeting and reporting as well as the development and execution of the company's debt, investment, banking and financial risk hedging strategies. She holds a bachelor of arts in economics and a masters of business administration.

ANDY JANI has been a trustee on the Public Service Pension Board of Trustees since 2003.

He has been involved with pension governance since 1998 and has experience with the Public Service, College, Teachers' and Municipal pension plans. Andy was part of the government negotiating team in the late 1990s, leading to joint trusteeship of the plan in 2001. He also served on the advisory board to the plan just prior to joint trusteeship.

Currently a director in the Health Authority Division of the BC Ministry of Health, Andy has 25 years of government experience in BC and Saskatchewan. He holds an honours degree in engineering from the University of Salford, United Kingdom, and a masters in public administration from the University of Victoria.

JODI JENSEN joined the board in June 2004. Her appointment is through the B.C. Government and Service Employees' Union.

Jodi is the executive director of the Professional Employees Association and has worked in the field of labour relations for 15 years. She holds a masters degree in women's studies and a bachelors of science in chemistry.

Jodi has completed courses in pension fund management through the UBC Sauder School of Business and the Advanced Trustee Management Standards program of the International Foundation of Employee Benefit Plans.

LORI JOAQUIN was appointed to the Public Service Pension Board of Trustees on April 1, 2008, by the B.C. Government and Service Employees' Union.

She is a customer service representative in the Service BC Centre in Quesnel and is the chairperson of the BCGEU Local 1206.

LAWRENCE JOHNSON was appointed to the Public Service Pension Board of Trustees in April 2007.

He is appointed by, and is president of, the British Columbia Government Retired Employees Association. In addition to his experience in pension and benefit issues, Lawrence has extensive involvement as a director with several other boards and agencies, including 15 years with the United Way.

Lawrence was also a local chair with the B.C. Government and Service Employees' Union for 28 years and was a member of the BCGEU provincial executive for five years.

LAURIE MCAMMOND has been a trustee on the Public Service Pension Board since January 2005. She was nominated by the Crown Corporation Employers' Association and appointed by the provincial government.

She is currently the executive director of Corporate Services at BC Assessment, responsible for financial services, human resources and information technology.

Laurie has over 20 years of senior management experience in the financial, health and education fields in both the private and public sectors. As a human resources professional with a background in statistics, she has a broad understanding of pension plans, benefits and governance.

RON MCEACHERN has worked in human resources and labour relations for over 30 years. He was an associate deputy minister of employee relations prior to retiring in 2005. Ron has served on the boards of directors for several employer associations. He has also served as a member of the Labour Relations Board for eight years.

In addition to his service with the Public Service Pension Board of Trustees, Ron has been appointed by the board as a director of the British Columbia Investment Management Corporation.

Ron graduated from the University of Victoria with a bachelor of science degree. He has completed several certificate courses with the International Foundation in the Advanced Trustee Management Standards Program. Ron is appointed to the board by the provincial government.

PAUL MARTIN has held the position of staff representative for the B.C. Government and Service Employees' Union since 1984. He holds a diploma in Public Sector Management from the University of Victoria's School of Public Administration.

Paul's solid understanding of the plan is rooted in his service on various committees and with groups that led to joint trusteeship, the governance model under which the Public Service Pension Plan operates. He served on the Pension Benefits Standards Act Advisory Council from 1992 through 2001, at which time the B.C. Government and Service Employees' Union appointed him to the Public Service Pension Board of Trustees.

Paul brings to the board more than 20 years of pension experience and remains active in pension and benefits issues through his employer.

JOHN MAZURE joined the Public Service Pension Board of Trustees in April 2008.

John has a background in economics and financial management and is the executive project assessment director with the environmental assessment office in the Ministry of Environment. He has a masters degree in applied economics and holds a bachelors of science in mathematics.

John is appointed by the provincial government.

DAVID VIPOND is the director of negotiations for the B.C. Government and Service Employees' Union.

David participated in the negotiations that led to joint trusteeship of the Public Service Pension Plan in 2001, becoming a trustee that year as well. He became the vice-chair of the Public Service Pension Board of Trustees in 2007.

His training and education in pension management includes courses at the UBC Sauder School of Business, the International Labour Organization, and the University of Bologna, Italy, Faculty of Economics. David has completed training for Advanced Trustee Management Standards certificates (Group Benefits Management, Pension Fund Management) and is pursuing certification for Pension Fund Leadership.

Board Responsibilities

Trustee activities

During 2008–2009 the board met six times over a total of seven days, and trustees also participated in a number of standing and ad hoc committees. Board committees also met regularly to consider such issues as audit services, plan benefits, communications, investments and trustee education. Trustees also attended a number of conferences, including the semi-annual BC Public Sector Pension Conference. In addition to attending scheduled training sessions, individual trustees participated in other educational opportunities to increase their effectiveness on the board.

Trustee attendance

Trustee attendance at more than 25 meetings to conduct board business was consistently good in 2008–2009. The average attendance of all trustees at eligible meetings was 88 per cent.

Trustee remuneration

Trustees are remunerated by the plan for their time spent on board business. Remuneration guidelines and rates are set out in the Public Service Pension Board of Trustees Remuneration Policy.

Trustees receive remuneration directly if they are not remunerated from any other organization for their time spent on trustee duties. If trustees are remunerated from another organization for their trustee duties, they may request that the remuneration from the plan be paid to the other organization. Trustee remuneration may be adjusted annually under board policy by an amount equal to the cost-of-living adjustments made to pension payments.

Expenses related to trustee attendance at educational events and meetings to conduct board business are reimbursed within board policy limits.

PSPP Board Member Remuneration for the Year ended March 31, 2009

Name and position	Per diem	Stipend	Payment	Remuneration paid to
Joyce Burns	1,768.00	2,652.00	4,420.00	Joyce Burns BC Ferry & Marine Workers' Union—$874 Stipend
John Cook, chair			54,270.00	John Cook
John Davison	3,174.00	2,622.00	5,796.00	Ministry of Finance John Davison—$874 Stipend
David Day	3,355.00	3,526.00	6,881.00	BC Excluded Employees' Association
Judi Filion	4,061.00	3,526.00	7,587.00	BCGEU
Alana Gallagher	3,180.00	3,526.00	6,706.00	BC Ferry Services Inc.
Andy Jani	3,518.00	3,526.00	7,044.00	Ministry of Health Sciences Andy Jani—$2,622 Stipend
Jodi Jensen	2,993.00	3,526.00	6,519.00	Professional Employees Assoc.
Lori Joaquin	2,643.00	2,652.00	5,295.00	BCGEU
Lawrence Johnson	3,168.00	3,526.00	6,694.00	Lawrence Johnson
Paul Martin	5,123.00	3,526.00	8,649.00	BCGEU
John Mazure	2,999.00	2,622.00	5,621.00	Ministry of Finance John Mazure—$874 Stipend
Laurie McAmmond	2,806.00	3,526.00	6,332.00	BC Assessment Authority Laurie McAmmond—$874 Stipend
Ron McEachern	4,230.00	3,526.00	7,756.00	Ron McEachern
David Vipond, vice chair	5,262.00	5,289.00	10,551.00	David Vipond

2008 Trustee Remuneration Rates

Annual Trustee Stipend	$3,496	per year
Per Diem	$350	per day
Chair	$146	per hour
Annual Vice-Chair Stipend	$5,244	per year

2009 Trustee Remuneration Rates

Annual Trustee Stipend	$3,616	per year
Per Diem	$362	per day
Chair	$151	per hour
Annual Vice-Chair Stipend	$5,424	per year

DAVID VIPOND is the director of negotiations for the B.C. Government and Service Employees' Union.

David participated in the negotiations that led to joint trusteeship of the Public Service Pension Plan in 2001, becoming a trustee that year as well. He became the vice-chair of the Public Service Pension Board of Trustees in 2007.

His training and education in pension management includes courses at the UBC Sauder School of Business, the International Labour Organization, and the University of Bologna, Italy, Faculty of Economics. David has completed training for Advanced Trustee Management Standards certificates (Group Benefits Management, Pension Fund Management) and is pursuing certification for Pension Fund Leadership.

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David Day	3,355.00	3,526.00	6,881.00	BC Excluded Employees' Association
Judi Fillion	4,061.00	3,526.00	7,587.00	BCGEU
Alana Gallagher	3,180.00	3,526.00	6,706.00	BC Ferry Services Inc.
Andy Jani	3,518.00	3,526.00	7,044.00	Ministry of Health Sciences Andy Jani—$2,622 Stipend
Jodi Jensen	2,993.00	3,526.00	6,519.00	Professional Employees Assoc.
Lori Joaquin	2,643.00	2,652.00	5,295.00	BCGEU
Lawrence Johnson	3,168.00	3,526.00	6,694.00	Lawrence Johnson
Paul Martin	5,123.00	3,526.00	8,649.00	BCGEU
John Mazure	2,999.00	2,622.00	5,621.00	Ministry of Finance John Mazure—$874 Stipend
Laurie McAmmond	2,806.00	3,526.00	6,332.00	BC Assessment Authority Laurie McAmmond—$874 Stipend
Ron McEachern	4,230.00	3,526.00	7,756.00	Ron McEachern
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2009 Trustee Remuneration Rates

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Per Diem	$362	per day
Chair	$151	per hour
Annual Vice-Chair Stipend	$5,424	per year

COMMITTEES

The Public Service Pension Board of Trustees has several active committees that make recommendations to the board. These committees deal with specific areas of administration of the pension plan and meet on a regular basis.

Benefits and Communications Committee

This committee reviews plan rules as they affect benefit entitlements and makes recommendations for changes as required. The committee also reviews pension plan policies related to benefit administration. As well, it reviews the post-retirement group benefit rules and makes recommendations for changes to plan design, coverage levels and cost structure as required. They met three times in the 2008–09 year.

This committee of the whole is chaired by John Cook.

Communications Subcommittee

The Public Service Pension Plan strives for excellent communications. Regular, clear and concise reporting about the plan and any changes to the rules or governance environment of the plan is the responsibility of the Communications Subcommittee. In addition to the annual report, *Report to Members* and *AfterWork* publications, the Communications Subcommittee oversees the release and updating of the plan's communications materials. They met three times in the fiscal year.

Paul Martin chaired the committee in 2008–09 with members Ron McEachern, John Mazure and David Vipond.

Interplan Audit Committee

The Interplan Audit Committee's mandate is to act on behalf of and to assist the board to provide for:

- a timely and cost-effective system of accounting and reporting
- financial statements conforming with generally accepted accounting principles
- an independent audit of the financial statements
- the annual report with audited financial statements

The committee accomplishes its mandate to provide financial oversight by:

- monitoring and reporting to the boards on the integrity of the reporting, internal controls and compliance
- monitoring and reporting on the independence and performance of the external auditors
- monitoring and reporting on risk management as it affects financial reporting
- recommending the selection and compensation of external auditors
- addressing any matter referred to the committee by one or more of the four boards

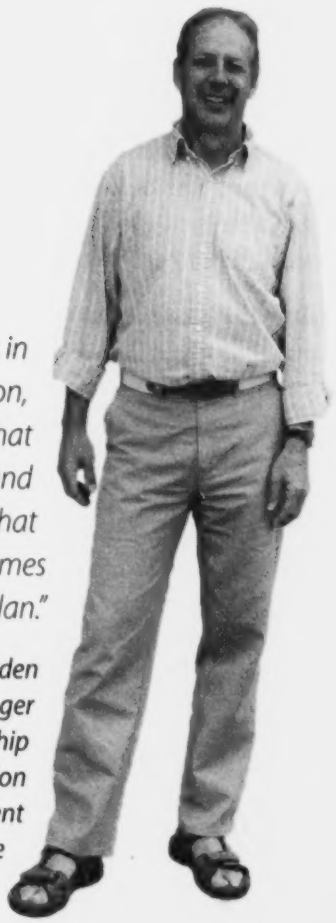
The Interplan Audit Committee consists of two nominees from each of the boards of the College, Municipal, Public Service and Teachers'

pension plans. Judi Filion and Alana Gallagher represent the Public Service Pension Plan on the committee. The committee must include at least two trustees who understand generally accepted accounting principles (GAPP), internal controls and audit committee functions.

The committee must meet at least three times annually. There were three meetings in 2008–09. In addition to its role of financial oversight through monitoring and reporting, the committee also evaluates its own performance annually through an established procedure.

"With the recent changes in the global financial situation, it is comforting to know that my pension plan is intact and secure. I am confident that when retirement time comes around, I can rely on my plan."

Don Cadden
Regional Manager
Environmental Stewardship Division
Ministry of Environment
Prince George



PARTNERS, TRUSTEES AND AGENTS

The Public Service Pension Plan is governed by representatives of both plan members and plan employers. These representatives make up the board of trustees. This shared management is called joint trusteeship. For more information on joint trusteeship, visit the plan website at **pspp.pensionsbc.ca**.

Plan partners are the provincial government and the B.C. Government and Service Employees' Union (BCGEU). These partners and other organizations representing the plan employers and plan members are responsible for nominating and appointing the trustees.

The **Public Service Pension Board of Trustees** is responsible for the management of the pension plan, including asset investment and plan administration. The board of trustees may amend the pension plan rules as long as changes can be funded by pension fund surpluses or are cost-neutral to the plan. Plan rule changes that result in contribution rate changes must be initiated by partners. However, if the actuary determines it is necessary to increase contribution rates, the trustees must increase employer and member contribution rates equally.

The **British Columbia Pension Corporation** provides benefit administration services as an agent of the board of trustees. It provides plan information to members and employers, manages contributions and member records, pays pension benefits, and provides policy, financial and communication services to the trustees.

The **British Columbia Investment Management Corporation** (bcIMC) is one of Canada's largest investment managers, and administers more than $74.5 billion in assets with a global exposure and supported by industry-leading investment expertise. The bcIMC offers fund management in all major asset classes, including strategic and infrastructure investment. The corporation provides investment management services as an agent of the board.

PricewaterhouseCoopers provides auditing services to the plan. They are one of Canada's largest accounting firms offering a wide range of management services.

Eckler Ltd. provides consulting and actuarial services to the plan. As consultants and actuaries, Eckler Ltd. prepares actuarial valuations and costings for the plan.

6 CHAPTER MEMBER AND EMPLOYER SERVICES AND COMMUNICATIONS

When a plan member or employer contacts the Public Service Pension Plan asking questions or seeking information, one of our client representatives will answer. Client representatives deal with requests for pension plan information, benefits calculations, employer reporting assistance, retirement seminars and pension applications. They are experienced and well-trained and are a huge part of what make the Public Service Pension Plan valuable for members and employers.

One of the ways the plan helps you and employers build a future together is through communicating. We take special steps to ensure all plan information is easy to understand and use. Improving the effectiveness and quality of our member and employer communications by applying principles of plain language and surveying is a continuous process.

As the number of retired members in the plan grows, more and more work is also done to assist with retired plan members' questions. From assisting with group benefits enrolment to advising beneficiaries on possible entitlements, client representatives are happy to help.

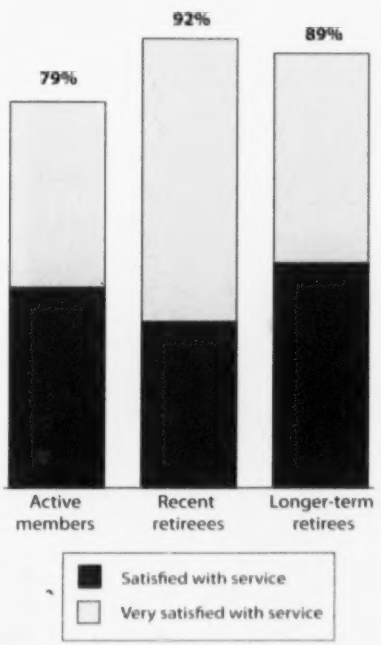
One significant area of service for the plan is pension seminars. This year saw the full implementation of new seminars designed to assist active members at all stages of their careers and a revamp of the seminar for those closer to retirement to focus on options and issues at retirement.

New and updated communication materials are regularly published, and online products and services are continually being developed. The *Guide for Plan Members*, the annual *Member's Benefit Statement*, forms, bulletins, retirement information packages and *After Work* are published regularly.

These audience-specific products not only outline the plan's financial status, they also keep you up to date with changes and developments with the plan's rules and benefits.

Our website at **pspp.pensionsbc.ca** is an excellent source of pension plan information with online estimators and other great features.

Client Satisfaction Survey Results



7 CHAPTER

PLAN PARTICIPANTS

Members

Membership in the Public Service Pension Plan is open to all eligible employees of the provincial public service or other employers approved by the Public Service Pension Board of Trustees. Once an employee elects or qualifies to contribute to the plan, contributions continue as long as the employee remains with the employer, or until the employee has completed 35 years of pensionable service.

There are three categories of members in the Public Service Pension Plan:

Active—those currently contributing, or on a leave of absence, or receiving benefits from an approved salary continuance plan.

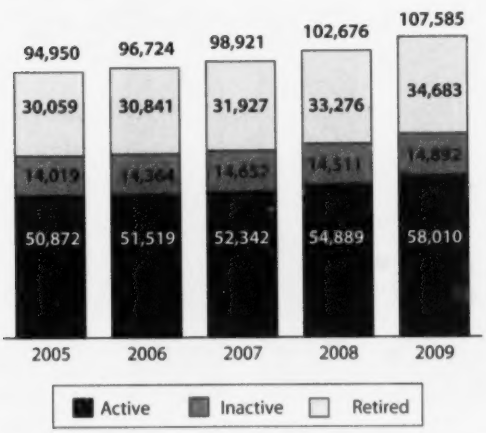
Inactive—those who have terminated employment but whose contributions remain on deposit in the plan. They may or may not be eligible for a pension in the future.

Retired—those who are receiving a pension, including those who are receiving a disability pension.

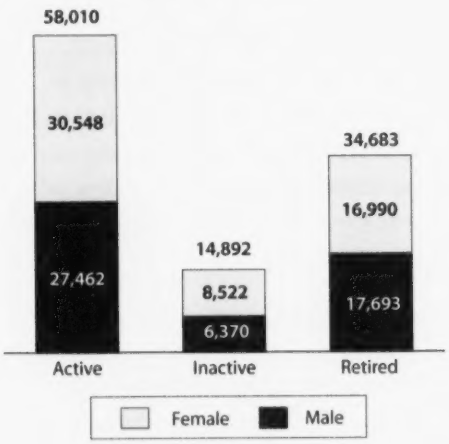
The number of active plan members in the Public Service Pension Plan increased by more than five per cent in 2009.

Today there are 58,010 active members and 34,683 retired members.

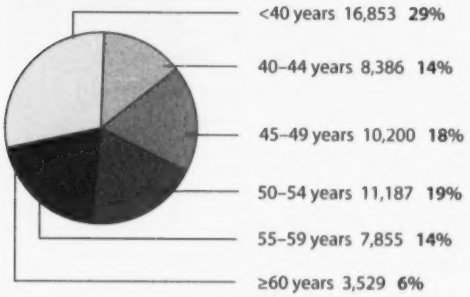
Membership Profile
as at March 31



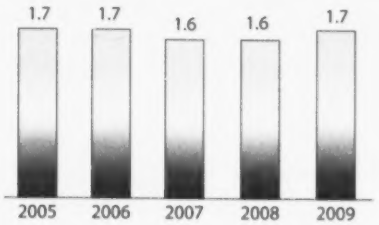
Membership Profile
as at March 31, 2009



Age Profile of Active Members
as at March 31, 2009



Ratio of Active Members to Retired Members
as at March 31



The Public Service Pension Plan considers demographic factors that affect the projected cost of pensions, including the gender and age makeup of the membership and the ratio of active to retired members. These factors are taken into account in determining the funded status of the plan.

More than half of today's active members are eligible to retire in the next decade. An increase in the proportion of retirees places more pressure on the plan as there are fewer active members contributing to the plan and more retired members drawing pensions from it.

"Having a pension provides me with a sense of security and well being. I had a lung transplant 12 years ago, so no matter what happens, my pension will always be there."

Michel Grandbois
Fire Service Advisor
Interior Region (Kamloops)
Office of the Fire Commissioner

Employers

As at March 31, 2009

Province of British Columbia
BLJC Workspace Solutions Inc.
British Columbia Assessment Authority
British Columbia Centre for Disease Control
British Columbia Excluded Employees' Association
British Columbia Ferry Services Inc.
BC Ferry and Marine Workers' Union
B.C. Government and Service Employees' Union
British Columbia Housing Management Commission
British Columbia Innovation Council
British Columbia Investment Management Corporation
British Columbia Institute of Technology
British Columbia Mental Health Society
BC Milk Marketing Board
BC Pavilion Corporation
British Columbia Pension Corporation
British Columbia Safety Authority
British Columbia Securities Commission
British Columbia Transit
British Columbia Treaty Commission
British Columbia Utilities Commission
Business Practices and Consumer Protection Authority
Canada/British Columbia Business Services Society
Canadian Office and Professional Employees' Union, Local 378
Canadian Road Builders Inc. (Lafrentz Division)
Coast Capital Savings Credit Union
Coast Mountain Bus Company
Cobra Electric (South Coast) Ltd.
Columbia Power Corporation
Community Living British Columbia
EDS Advanced Solutions Inc.
Elections BC (Office of the Chief Electoral Officer)
Emergency Health Services Commission
Environmental Appeal Board
First People's Heritage, Language and Culture Council
Forensic Psychiatric Services Commission
Forest Practices Board
Fraser Health Authority
Fraser River Marine Transportation Ltd.
Freshwater Fisheries Society of BC
Health Research Foundation
Homeowner Protection Office
Industry Training Authority
Insurance Corporation of British Columbia
Interior Health Authority
Islands Trust Council
ISM Information Systems Management Canada Corporation
Justice Development Commission
Land and Water BC Inc.
Land Title and Survey Authority of British Columbia
Liquor Distribution Branch
Mainroad Pavement Marking Ltd.
Maximus BC Health Benefit Operations Inc.
Maximus BC Health Inc.
Northern Development Initiative Trust
Northern Health Authority
Oak Bay Lodge
Office of the Auditor General
Office of the Conflict of Interest Commissioner
Office of the Fire Commissioner
Office of the Freedom of Information and Privacy Commissioner
Office of the Ombudsman
Office of the Police Complaint Commissioner
Oil and Gas Commission
Okanagan Valley Tree Fruit Authority
Pacific Carbon Trust
Pacific Vehicle Testing Technologies Ltd.
Partnerships British Columbia Inc.
Professional Employees Association
Provincial Agricultural Land Commission
Provincial Health Services Authority
Public Sector Employers' Council
Royal British Columbia Museum
St. Paul's Hospital
South Coast British Columbia Transit Authority
Southern Interior Development Initiative Trust
Telus Sourcing Solutions Inc.
Tillicum and Veterans Care Society (The Lodge at Broadmead)
Tourism British Columbia
Union of Psychiatric Nurses
Vancouver Aboriginal Child & Family Services Society
Vancouver Coastal Health Authority
Vancouver Island Health Authority
VSA Highway Maintenance Ltd.
WaterBridge Equipment Ltd.
Western Pacific Marine Ltd.
Workers' Compensation Appeal Tribunal

CONTRIBUTIONS

As an active member of the Public Service Pension Plan, you contribute to the plan through automatic payroll deductions. You and your employer pay contributions to fund your future pension benefits. Once you terminate employment, retire or reach 35 years of pensionable service, you no longer contribute. Following receipt of the latest valuation report, trustees announced in January 2009 a contribution rate increase effective April 1, 2009.

The new rates effective April 1, 2009, are:

Member

- 7.78% (includes 6.28% basic account, 1.5% inflation adjustment account [IAA]) of pensionable salary up to and including the year's maximum pensionable earnings* (YMPE), and
- 9.28% (includes 7.78% basic account, 1.5% IAA) of pensionable salary for salary greater than the YMPE.

Member contribution rates prior to April 1, 2009 were 7.63% of pensionable salary up to and including the YMPE and 9.13% of pensionable salary greater than the YMPE.

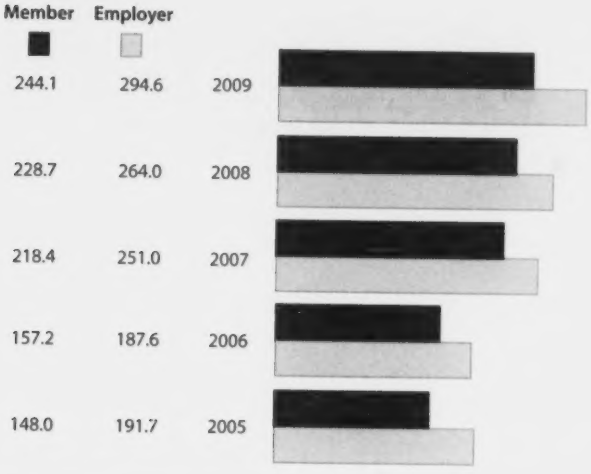
Employer

- 8.78% (includes 6.28% Basic Account, 2.5% IAA) of pensionable salary up to and including the year's maximum pensionable earnings* (YMPE), and
- 10.28% (includes 7.78% basic account, 2.5% IAA) of pensionable salary for salary greater than the YMPE.

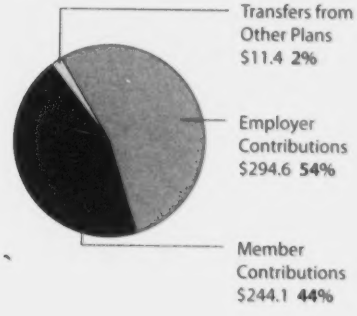
Employer contribution rates prior to April 1, 2009 were 8.73% of pensionable salary up to and including the YMPE and 10.13% of pensionable salary greater than the YMPE.

* Year's Maximum Pensionable Earnings is the earnings limit on which you make Canada Pension Plan contributions. The 2009 YMPE is $46,300. The 2008 YMPE was $44,900.

Contribution Revenue
year ended March 31
$ Millions



Contribution Revenue
year ended March 31, 2009
$ Millions



PLAN BENEFITS

Basic Pension (guaranteed)

The basic pension benefit is defined, meaning the pension is based on a formula. That formula uses the pensionable years the member has accrued in the plan, the average of the best five years of salary (not necessarily the last five years) and age at retirement. The pension is not based on contributions to the plan, nor is it based on the investment performance of the plan's assets. The advantage of a defined benefit plan is that the pension is predictable. The plan provides entitlement to a pension benefit after two years of contributory service and after having reached a qualifying age. The plan also provides survivor and disability benefits.

By March 31, 2009, the plan provided pensions to 34,683 retired members, an increase of approximately four per cent from the previous year.

The basic pension is paid from the basic account of the plan.

Inflation Adjustments (non-guaranteed)

Inflation adjustments are a non-guaranteed cost-of-living supplement to the basic pension. It is paid only to the extent that there is sufficient money in the inflation adjustment account (IAA). Active members and employers make contributions and some of the employer contributions are disbursed to help pay for post-retirement group benefits before they reach the IAA. The remaining employer contributions are deposited to the IAA and, combined with the active member contributions and investment returns, are used to pay for inflation adjustments.

On January 1, 2009, retired members received a full consumer price index (CPI) increase of 3.4 per cent. Inflation adjustments to the pension may be provided each year based on changes in the CPI (see Note 7b to the Financial Statements). Inflation adjustments, once granted, are guaranteed. The board monitors the plan's ability to continue to provide non-guaranteed inflation adjustments.

Group Benefits (non-pension)

Group benefits (extended health, medical and group life) are not guaranteed. They are subsidized by a limited portion of available annual employer contributions that would otherwise go to the IAA. The board monitors the plan's ability to continue to provide non-guaranteed group benefits.

Pensions 2005–2009

year ended March 31

	Public Service			MLA*			Total		
							$ Millions		
	New Pensions during Year	Pension Terminations	In Force at End of Year	New Pensions during Year	Pension Terminations	In Force at End of Year	Basic Pensions Paid	Inflation Supplements Paid	Total Pensions Paid
2009	**2,053**	**646**	**34,683**	**–**	**1**	**122**	**$494.0**	**$106.7**	**$600.7**
2008	2,004	655	33,276	–	1	123	455.5	96.7	552.2
2007	1,678	592	31,927	–	3	124	422.0	95.2	517.2
2006	1,463	681	30,841	4	3	127	397.0	86.7	483.7
2005	2,255	575	30,059	3	–	126	370.2	80.8	451.0

* For service prior to 1996.

New Pensions—by Type

	Regular*	Death*	Disability†	Deferred	Total
2009	**1,513**	**28**	**168**	**344**	**2,053**
2008	1,501	48	148	307	2,004
2007	1,280	22	108	268	1,678
2006	1,054	48	86	275	1,463
2005	1,853	35	102	265	2,255

* New regular pensions do not include pensions continued to a beneficiary upon the death of a retired member.

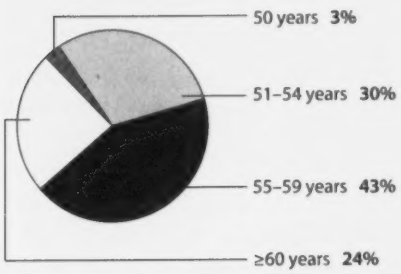
† Includes members on long-term disability who became eligible for a regular pension.

Basic Pension—A monthly pension that is paid by the pension plan for a member's lifetime. The pension may continue to another person after the member's death, depending on the form of pension the member chooses at retirement.

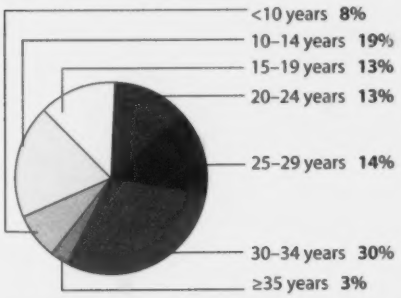
Bridge Benefit—A temporary pension paid to the member from retirement until age 65 or death, whichever comes first.

Inflation Adjustments—These inflation adjustments are not guaranteed. Increases to monthly pension amounts are currently based on the annual increase in the cost of living as measured by the Consumer Price Index. Inflation adjustments begin the first January after a member retires.

Percentage of New Regular Pensions
by Age—Normal Retirement Age 60*

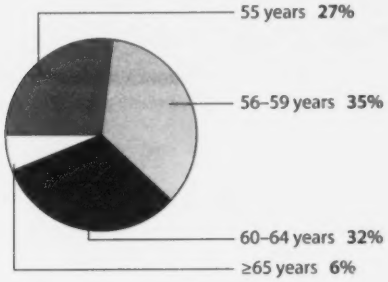


Percentage of New Regular Pensions
by Years of Service—Normal Retirement Age 60*

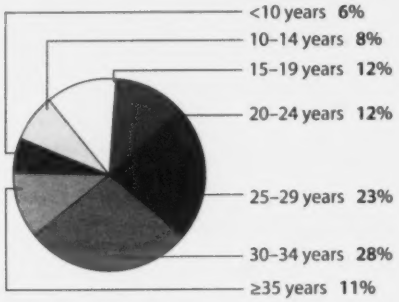


* Retirement at age 60 is provided for corrections officers and emergency health employees.

Percentage of New Regular Pensions
by Age—Normal Retirement Age 65



Percentage of New Regular Pensions
by Years of Service—Normal Retirement Age 65



A member's length of service is a key factor in determining the amount of his or her monthly pension payment. A significant majority of those who retire and start collecting pensions do so before the plan's normal retirement age. This early-retirement trend has cost implications for the plan. Early retirees are entitled to bridge benefit payments to age 65 or death, whichever is earlier, and on average receive the basic lifetime benefit for a longer period of time than if they had retired at the normal retirement age. The plan actuary takes these trends and other economic information into account when considering the financial health of the plan.

Termination and Refund Benefits

A member leaving the plan who is eligible for a benefit, but has not yet reached the earliest retirement age, may choose:

- a deferred pension; or
- transfer of the commuted value of the pension benefit (the minimum value is the member's contributions with interest) to a locked-in registered retirement savings plan or a similar tax-sheltered plan.

A member leaving the plan may also choose to leave monies on deposit in the pension plan in anticipation of future entitlements. See the PensionFacts *Terminating employment* for more information.

In the year ended March 31, 2009, there were 1,265 termination and refund benefits paid with a total value of $48.2 million (year ended March 31, 2008: 1,472 benefits paid with a total value of $56.5 million).

Transferring Service

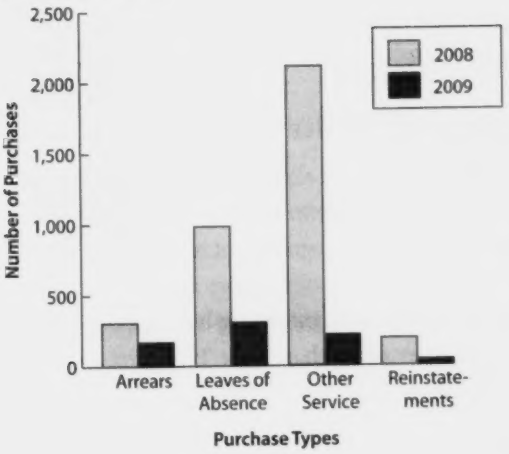
Transfer agreements allow you to carry your years of pension service from one plan to another, if the new plan has an agreement with the Public Service Pension Plan. For more information on transfer agreements, including how they work and who they are with, see the *Transferring service* PensionFacts.

This past year saw the addition of two Ontario plans to the National Public Service Pension Transfer Agreement in which the plan participates. These plans are the Ontario Pension Board and the Ontario Public Service Employees Union Pension Plan Trust Fund.

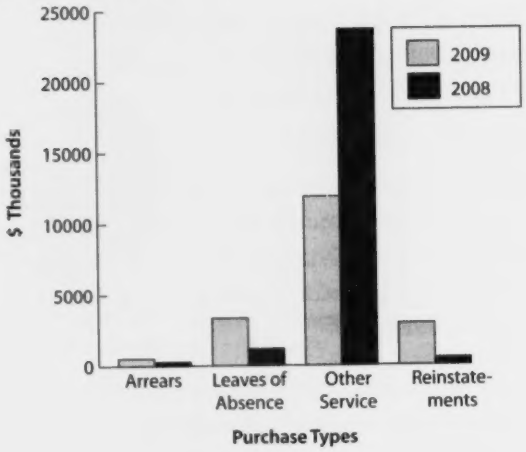
"It's great to belong to such an exceptional pension plan! It puts my mind at ease to know that when I decide to retire, I'll have a guaranteed monthly pension benefit which will help us to keep our lifestyle".

Nirmala Kryworuchka
Customer Service Benefit Specialist
BC Pension Corporation
Victoria

Number of Purchases
year ended March 31



Value of Purchases
year ended March 31



Purchase of Additional Service

Members of the plan may be able to increase their future pension benefits by purchasing periods of past service. Purchasing service means paying for periods of employment that have not already been counted as service with the plan. Members may only purchase periods of service that occurred during the previous five years, provided the member applies to purchase prior to terminating employment. More information about purchasing service, including costs, is available through the PensionFacts *Purchasing arrears, Purchasing leaves of absence* or *Purchasing non-contributory service.*

For the year ending March 31, 2009, the number of additional purchases of service fell 80 per cent from 2008. However the value of those purchases increased by 37 per cent. This fall in the number of purchases occurred as a result of the closing of the opportunity to purchase historical service (prior to the most recent five years) on March 31, 2007.

INVESTMENTS

Approved Investment Asset Mix

Strategic and short-term asset allocation targets are set within the ranges in the Basic Account Investment Asset Mix and Performance table on this page. Short-term, for asset mix purposes, includes government bonds with one- to five-year terms and money market funds.

Basic Account Investment Asset Mix and Performance

For the year ended March 31, 2009

	Approved Range (%)	Asset Mix Market Value (%)	Rate of Return (%)	Performance Benchmark* (%)
Fixed income	**20–40**			
Short-term	0–10	1.0	5.6	2.4
Mortgages	0–10	5.8	5.1	7.5
Nominal Bonds	10–25	16.9	3.6	4.9
Real Return Bonds	0–10	5.7	1.1	(0.8)
Equity	**60–80**			
Canadian Equities	9–19	14.2	(31.2)	(32.4)
US Equities	10–20	15.6	(25.5)	(24.2)
International Equities	11–21	15.3	(34.9)	(33.6)
Real Estate	10–20	16.3	(7.8)	5.3
Private Placements	0–10	4.1	***	***
Strategic Investments and Infrastructure**	0–10	5.1	(38.6)	8.0
Total Basic Asset Mix		**100.0**		

* Benchmarks are standards to compare against actual returns.

** The rate of return reported for Strategic Investments and Infrastructure (SIIF) represents the returns for the Canadian Equity portion of Strategic Investments and Infrastructure only. Canadian Equities made up less than 14% of Strategic Investments and Infrastructure at March 31, 2009.

*** Annual rate of return not applicable.

Investment Portfolio

Investments consist primarily of direct ownership in units of pooled investment portfolios. The units of pooled investment portfolios are valued regularly, based on the fair market value of the underlying assets. In the table, all investments are pooled, except real return bonds, which are directly held.

Investments Held as at March 31, 2009

	Market Value ($ Thousands)	Asset Mix Market Value (%)
Short-term		
Money Market	110,474	0.7
Bonds (1–5 years)	71,196	0.5
	181,670	1.2
Bonds		
Universe	2,533,053	17.0
Real Return Bonds	841,771	5.7
	3,374,824	22.7
Canadian Equities*		
Indexed	1,724,609	11.6
Actively Managed	377,938	2.5
	2,102,547	14.1
US Equities		
Indexed	1,525,323	10.2
Actively Managed	723,214	4.9
Hedging	40,745	0.3
	2,289,282	15.4
International Equities		
Asia	435,686	2.9
Europe	520,016	3.5
Europe, Australia and the Far East	1,242,297	8.4
International Hedging	36,031	0.2
	2,234,030	15.0
Real Estate, Mortgages, Private Placements and Strategic Investments and Infrastructure		
Real Estate *	2,420,099	16.3
Mortgages	863,685	5.8
Private Placements*	647,079	4.4
Strategic Investments and Infrastructure*	762,146	5.1
	4,693,009	31.6
Total Investments	**14,875,362**	**100.0**
2008 Comparison	**17,548,507**	

* Asset classifications vary from the financial statements for the purpose of performance reporting on Strategic Investments and Infrastructure

Investments Held as at March 31, 2009

Top Ten Holdings (Underlying investments are in pooled portfolios)

Canadian Equities

Company	Market Value ($ Thousands)	% of Total Canadian Equity
Royal Bank of Canada	$ 121,948	5.8
Encana Corp	101,922	4.8
Toronto Dominion Bank	90,748	4.3
Suncor Energy	83,178	3.9
Barrick Gold Corp	77,380	3.7
Goldcorp Inc.	74,998	3.6
Bank of Nova Scotia	73,174	3.5
Potash Corp of Sask	72,894	3.5
Research in Motion	64,996	3.1
Cdn Nat Resources	63,138	3.0
Total Top Ten	**824,376**	**39.2**
Total Canadian Equities	**$2,102,547**	

U.S. Equities

Company	Market Value ($ Thousands)	% of Total U.S. Equity
Exxon	$ 82,160	3.6
AT & T Inc	49,348	2.2
Microsoft	42,466	1.8
Procter & Gamble Co	38,616	1.7
Johnson & Johnson	38,607	1.7
Int Business Machine Corp	37,824	1.6
JP Morgan Chase	34,318	1.5
Chevron	33,661	1.5
GE Capital Company	31,873	1.4
Wal Mart Stores	31,473	1.4
Total Top Ten	**420,346**	**18.4**
Total U.S. Equities	**$2,289,282**	

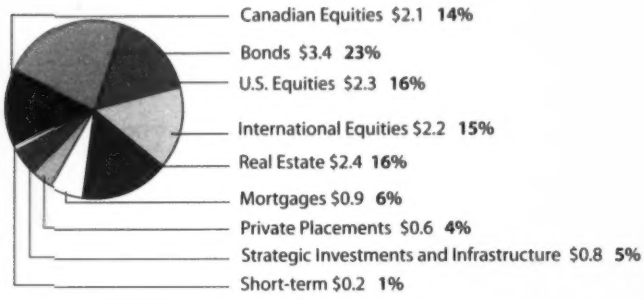
International Equities

Company	Market Value ($ Thousands)	% of Total International Equity
Royal Dutch	$ 49,983	2.2%
Nestlé Inc.	40,474	1.8%
Telefonica	34,403	1.5%
Total	32,041	1.4%
Roche Holdings AG	30,103	1.4%
BP Inc	30,103	1.4%
Vodafone Group	27,789	1.2%
Novartis Ag	25,984	1.2%
BHP Billiton PLC	25,588	1.2%
Sanofi Aventis	25,095	1.1%
Total Top Ten	**321,563**	**14.4%**
Total International Equities	**$2,234,030**	

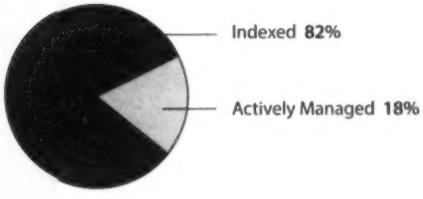
Investments Held as at March 31, 2009

Investment Holdings (Market Value)
as at March 31, 2009

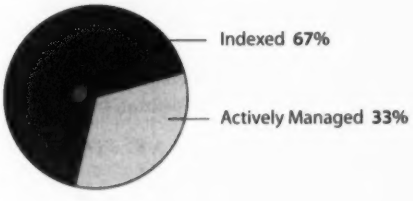
$ Billions



Canadian Equities (Market Value)



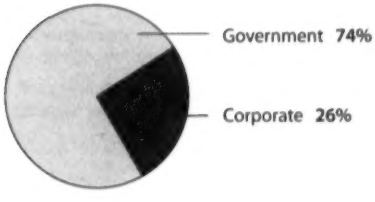
U.S. Equities (Market Value)



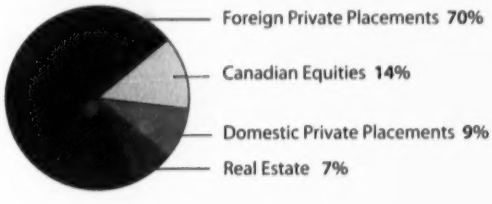
Indexed: A portfolio of securities in approximately the same proportion as a public market index (e.g., Standard & Poor's/Toronto Stock Exchange Composite).

Actively Managed: A portfolio of securities that is designed to outperform a public market index.

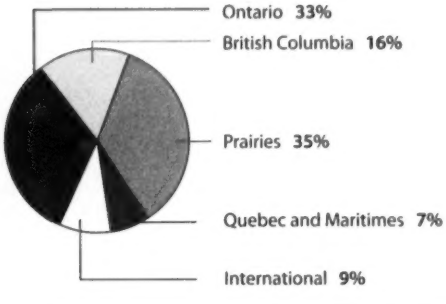
Bonds (Market Value)



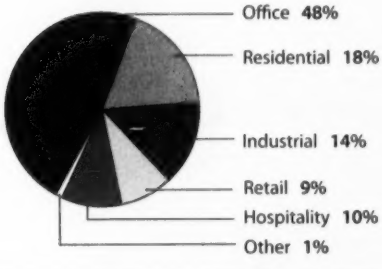
Strategic Investments and Infrastructure



Real Estate, by Location



Domestic Real Estate, by Type



Investments Held as at March 31, 2009

Canadian Equities, by Sector (%)

	Indexed	Actively Managed
Health Care	0.3	1.1
Utilities	1.6	1.5
Consumer Staples	3.4	4.3
Information Technology	4.0	5.2
Consumer Discretionary	4.2	4.9
Telecommunication Services	5.7	5.4
Industrials	5.9	7.0
Materials	21.3	19.4
Energy	24.6	24.0
Financial Services	29.0	27.2
	100.0	100.0

U.S. Equities, by Sector (%)

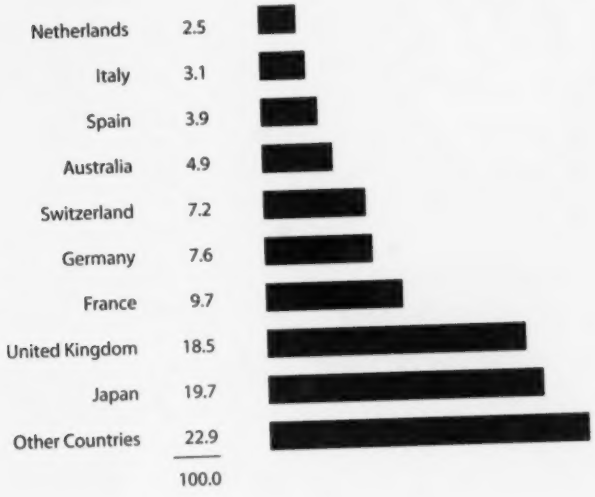
	Indexed	Actively Managed
Materials	3.4	3.4
Telecommunication Services	4.5	3.7
Utilities	4.7	2.8
Consumer Discretionary	9.0	11.9
Industrials	9.8	8.6
Energy	11.3	11.4
Financials	11.8	11.7
Consumer Staples	13.1	10.8
Health Care	15.3	16.0
Information Technology	17.1	19.7
	100.0	100.0

Indexed: A portfolio of securities in approximately the same proportion as a public market index (e.g., Standard & Poor's/Toronto Stock Exchange Composite).

Actively Managed: A portfolio of securities that is designed to outperform a public market index.

Investments Held as at March 31, 2009

International Equities, by Country (%)



Investment Performance

Market value rates of return

Year ended March 31	Basic Account (%)	Inflation Adjustment Account (%)	Basic Account Performance Benchmarks* (%)	
Annual Rates				
2009	**(14.2)**	**(14.5)**	**(10.5)**	
2008	0.3	0.4	(1.3)	
2007	12.1	12.2	10.2	
2006	15.3	15.9	13.5	
2005	8.1	8.5	7.1	
Five-Year Annualized Rates**				
2009	**3.7**	**3.9**	**3.4**	
2008	11.2	11.8	10.4	
Ten-Year Annualized Rates				
2009	**4.7**	**5.1**	**4.5**	
2008	6.6	7.1	6.1	
2009 Annual rate by investment category				
Short-term				
Money Market	3.2	3.2	2.4	DEX T-Bill 91 day
Bonds	7.5	7.5	7.7	DEX All Government Short-term
Bonds				
Universe	3.6	3.6	4.9	DEX Bond Universe
Real return	1.1	0.4	(0.8)	DEX Real Bond
Canadian equities				
Actively managed	(31.5)	(31.5)	(32.4)	S&P TSX equity
Indexed	(31.9)	(31.9)	(32.4)	S&P TSX equity
Enhanced	(30.9)	(30.9)	(32.4)	S&P/TSX Capped Equity
US Equities				
Actively Managed	(23.3)	(23.3)	(24.3)	Russell 1000
Indexed	(24.1)	(24.1)	(24.1)	S&P 500
Social Indexed	(20.3)	(20.3)	(20.4)	Domini 400 Social Index
Enhanced	(25.3)	(25.3)	(24.1)	S&P 500
Value	(31.0)	(31.0)	(31.3)	S&P/Citigroup Value
International Equities				
Asia	(27.6)	(27.6)	(27.0)	MSCI Asia Net
Europe	(39.3)	(39.4)	(38.6)	MSCI Europe Net
Europe, Australia and the Far East	(36.6)	(36.6)	(34.4)	MSCI EAFE Net
Real Estate	(7.8)	(7.8)	5.3	CPI + 4%
Mortgages				
Fixed-term	4.6	4.6	8.0	DEX ST Bonds + 1%
Construction	5.8	5.8	5.3	DEX 1 Year T-Bills +1%
Strategic Investments and Infrastructure***	(38.6)	(38.6)	8.0	Nominal 8%

* Benchmarks are standards to compare against actual investment returns

** An annualized rate means the rate for a five- or ten-year period converted into the equivalent annual rate. The five-year annualized rate of the Basic Account is the net earned rate of the fund.

*** The rate of return reported for Strategic Investments and Infrastructure (SIIF) represents the returns for the Canadian Equity portion of Strategic Investments and Infrastructure only. Canadian Equities made up less than 14% of Strategic Investments and Infrastructure at March 31, 2009.

Performance Benchmark Indices Abbreviations

CPI	=	Consumer Price Index
DEX	=	Derivative TSX
MSCI	=	Morgan Stanley Capital International
S&P	=	Standard & Poor's
S&P/TSX	=	Standard & Poor's/Toronto Stock Exchange Equity or Capped Equity

(Source of annual rates: British Columbia Investment Management Corporation)

FINANCIAL HEALTH

The Public Service Pension Plan is financially sound. The fund holds a diversified portfolio of debt and equity investments that offer steady and consistent performance over the long term.

Every three years, an independent actuary assesses the financial health of the plan and the adequacy of the contribution rates for funding the plan. The actuarial valuation as at March 31, 2008, indicated a surplus of $487 million.

Since that time, financial markets have experienced significant downturn, and the trustees will continue to closely monitor the impact this financial environment is having on the plan.

Despite the plan's modest surplus, the Public Service Pension Board of Trustees was required to implement a contribution rate increase to meet the funding requirements of the *Pension Benefits Standards Act*. This increase went into effect April 1, 2009.

Active members and employer contributions to the plan rose 0.15 per cent of salary.

The next valuation will be as at March 31, 2011.

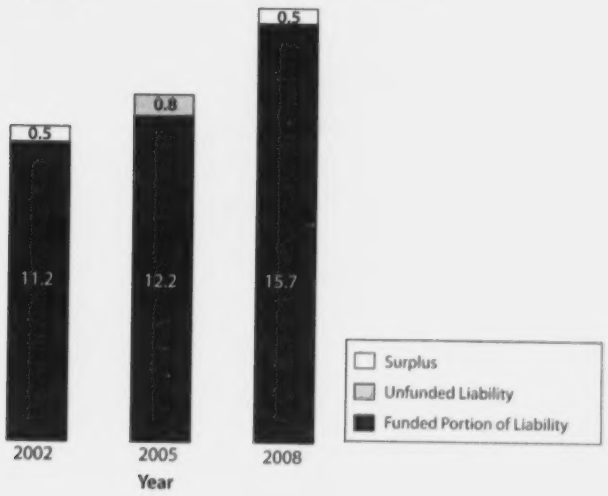
Latest Actuarial Valuation as at March 31, 2008

$ Millions

	Basic Pension Benefits Net Surplus (Unfunded Liability) 2008	2005	2002
For Funding Purposes*	487	(767)	546
Ratio of Surplus (Unfunded Liability) to Covered Payroll	17%	(32)%	23%
For Accounting Purposes to March 31	1,062	439	1,651

* Assuming contributions continue at rates in effect at the valuation date.
* See Note 7 and 8 to the Financial Statements for additional explanation.

Funding of the Total Basic Benefit Liability
$ Billions



An unfunded liability means there is a shortfall between the benefits promised and the assets available to pay for those benefits; whereas a surplus means there are more than enough funds to meet the basic benefit.

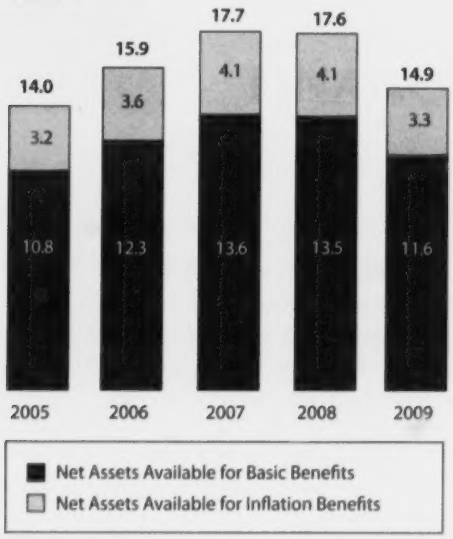
Five-Year Financial Summary

$ Thousands

For the year ended March 31	2009	2008	2007	2006	2005
Increase (Decrease) in Assets					
Investment income*	$(2,472,358)	$ 80,894	$1,933,382	$2,166,115	$1,079,447
Contributions					
Employers	294,599	264,023	251,042	187,611	191,641
Members	244,073	228,636	218,432	157,243	148,010
Transfers from other Plans	11,436	23,203	23,869	16,931	33,493
Total Increase (Decrease) in Assets	(1,922,250)	596,756	2,426,725	2,527,900	1,452,591
Decrease in Assets					
Pension Benefits	600,719	552,159	517,162	483,723	450,951
Termination Benefits	48,233	56,538	41,675	44,162	41,858
Transfers to Other Plans	15,433	43,305	40,046	55,010	41,451
Retired Member Group Benefits	38,486	35,349	33,419	31,635	29,268
Investment and Administration Costs*	29,508	37,247	27,502	25,893	23,433
Total Decrease in Assets	732,379	724,598	659,804	640,423	586,961
Increase (Decrease) in Net Assets	(2,654,629)	(127,842)	1,766,921	1,887,477	865,630
Net Assets Available for Benefits at Beginning of Year	17,556,929	17,684,771	15,917,850	14,030,373	13,164,743
Net Assets Available for Benefits at End of Year	$14,902,300	$17,556,929	$17,684,771	$15,917,850	$14,030,373
Investment and Administration Costs*			As a percentage of Net Assets		
Investment Management*	0.18%	0.26%	0.18%	0.19%	0.15%
Benefits Administation	0.07%	0.05%	0.05%	0.06%	0.06%

* External investment management costs incurred in the investment pooled funds by wholly owned corporations of $6.8 million (2008—$17.6 million; 2007—$13.6 million; 2006—$14.3 million; 2005—$6.1 million) reduce investment income and are not included in investment and administration costs. They are included in investment management costs as a percentage of net assets.

Net Assets Available for Benefits
as at March 31
$ Billions



"The Public Service Pension Plan gives me the confidence that I will be able to retire with the knowledge of having income to enjoy my retirement years."

Veena Sundher
Corporate Contract Administrator
Corporate Procurement and Risk Management
Construction and Maintenance Branch
Ministry of Transportation and Infrastructure
Victoria

12 CHAPTER

FINANCIAL STATEMENTS

PENSION CORPORATION

Executive Offices

Mailing Address:
PO Box 9460
Victoria BC
V8W 9V8

Location:
2995 Jutland Road
Victoria BC
V8T 5J9

Phone:
250 387-8201
1 800 663-8823
Fax:
250 953-0429

PUBLIC SERVICE PENSION PLAN

ADMINISTRATIVE AGENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements of the Public Service Pension Plan (Plan) were prepared by the British Columbia Pension Corporation (Pension Corporation), the administrative agent for the Public Service Board of Trustees (Board) of the Plan. The Board is responsible for having annual financial statements prepared in accordance with Canadian generally accepted accounting principles. The Pension Corporation prepares the financial statements on the Board's behalf and is responsible for the integrity and fairness of the data presented, including significant accounting judgments and estimates. This responsibility includes selecting appropriate accounting policies consistent with generally accepted accounting principles in Canada. Other financial information contained in the Public Service Pension Plan Annual Report conforms to these financial statements.

In discharging its responsibility for the integrity and fairness of the financial statements, the Pension Corporation maintains the internal controls necessary to provide reasonable assurance that relevant and reliable financial information is produced and that assets are properly safeguarded.

The firm of Eckler Ltd. has been appointed the independent consulting actuary to the Plan by the Board. The role of the actuary is to complete an actuarial valuation of the Plan in accordance with accepted actuarial practice; the results of the valuation are included in the financial statements.

The firm of PricewaterhouseCoopers LLP has been appointed the independent auditor to the Plan by the Board. The role of the auditor is to perform an independent audit of the financial statements of the Plan in accordance with Canadian generally accepted auditing standards. The resulting audit opinion is set out in the Auditors' Report attached to these financial statements.

BRUCE NICOL, CA
Director, Pension Plan and
Corporate Financial Services
British Columbia Pension Corporation

CHERYL EASON, CGA
Vice President, Financial and Plan
Board Services
British Columbia Pension Corporation

August 26, 2009

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers LLP
Chartered Accountants
PricewaterhouseCoopers Place
250 Howe Street, Suite 700
Vancouver, British Columbia
Canada V6C 3S7
Telephone +1 604 806 7000
Facsimile +1 604 806 7806

August 26, 2009

Auditors' Report

To the Members of the
Public Service Pension Plan

We have audited the statement of net assets available for benefits of the **Public Service Pension Plan** as at March 31, 2009 and the statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the Board of Trustees. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the net assets available for benefits of the Plan as at March 31, 2009 and the changes in net assets available for benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants

"PricewaterhouseCoopers" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership, or, as the context requires, the PricewaterhouseCoopers global network or other member firms of the network, each of which is a separate and independent legal entity.

Public Service Pension Plan

PUBLIC SERVICE PENSION PLAN
STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS
($ Thousands)

As at March 31	2009	2008
ASSETS		
Investments (Note 3)	$ 14,875,362	$ 17,548,507
Receivables		
Members' contributions	8,777	7,816
Employers' contributions	10,508	9,579
Accrued investment income	7,998	7,726
Due from sale of investments	205,173	70,303
	232,456	95,424
Prepaid expenses	1,887	2,158
Cash	248	1,517
Total Assets	$ 15,109,953	$ 17,647,606
LIABILITIES		
Payable for purchase of investments	194,752	74,865
Accounts payable and accrued expenses	12,901	15,812
Total Liabilities	207,653	90,677
NET ASSETS AVAILABLE FOR BENEFITS	$ 14,902,300	$ 17,556,929

All accompanying notes are an integral part of these financial statements including:

Actuarial Valuation of the Basic Account for Funding Purposes (Note 7)
Actuarial Valuation of the Basic Account for Accounting Purposes (Note 8)
Commitments (Note 11)

John W. Cook, FCIA
Chair, Public Service Pension Board of Trustees

Alana Gallagher
Trustee,
Public Service Pension Board of Trustees

Judi Filion
Trustee,
Public Service Pension Board of Trustees

Public Service Pension Plan

PUBLIC SERVICE PENSION PLAN
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
($ Thousands)

For the year ended March 31	Basic Account	Inflation Adjustment Account	Supplemental Benefits Account	2009	2008
INCREASE IN ASSETS					
Investment income (loss) (Note 4)	$ (1,892,583)	$ (579,775)	$ -	$ (2,472,358)	$ 80,894
Contributions (Note 5)					
Employers'					
Province of British Columbia	130,675	26,368	26,142	183,185	154,587
Other	80,690	14,774	15,950	111,414	109,436
	211,365	41,142	42,092	294,599	264,023
Members'	197,302	45,690	1,081	244,073	228,636
	408,667	86,832	43,173	538,672	492,659
Transfers from other plans	8,720	2,716	-	11,436	23,203
Total Increase (Decrease) in Assets	(1,475,196)	(490,227)	43,173	(1,922,250)	596,756
DECREASE IN ASSETS					
Pension benefits	490,375	-	3,651	494,026	455,477
Indexing supplements	106,405	-	288	106,693	96,682
	596,780	-	3,939	600,719	552,159
Termination benefits and refund benefits	29,289	18,944	-	48,233	56,538
Transfers to other plans	11,559	3,874	-	15,433	43,305
Retired member group benefits (Note 10)	-	-	38,486	38,486	35,349
Investment and administration costs (Note 9)	24,212	4,548	748	29,508	37,247
Total Decrease in Assets	661,840	27,366	43,173	732,379	724,598
INCREASE (DECREASE) IN NET ASSETS BEFORE TRANSFERS	(2,137,036)	(517,593)	-	(2,654,629)	(127,842)
Account transfers (Note 6)	185,935	(185,935)	-	-	-
INCREASE (DECREASE) IN NET ASSETS	(1,951,101)	(703,528)	-	(2,654,629)	(127,842)
NET ASSETS AVAILABLE FOR BENEFITS AT BEGINNING OF YEAR	13,503,437	4,053,492	-	17,556,929	17,684,771
NET ASSETS AVAILABLE FOR BENEFITS AT END OF YEAR	$ 11,552,336	$ 3,349,964	$ -	$ 14,902,300	$ 17,556,929

Supplemental Benefits Account (Note 10)

PUBLIC SERVICE PENSION PLAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2009

1. DESCRIPTION OF THE PUBLIC SERVICE PENSION PLAN

The Public Service Pension Plan (Plan) is a jointly trusteed pension plan governed by a Joint Trust Agreement (Agreement). Joint trusteeship was established on January 1, 2001. The partners to the Agreement are the Province of B.C. and the B.C. Government and Service Employees' Union (Partners). The Agreement describes the composition, appointment, powers, functions and duties of the Public Service Pension Board of Trustees (Board) and provides the authority for the Board to make Plan rules. The following brief description of the Plan is provided for general information only. For more information please refer to the Joint Trust Agreement and the Plan rules.

a) General

The Plan is open to eligible employees of the Province of B.C. and certain crown corporations, agencies, institutions, and other employers approved by the Board and eligible Member of the Legislative Assembly.

b) Roles and Responsibilities

The Board of Trustees
The Partners are responsible for directing amendments to the Plan, if certain conditions are met, and for resolving trustee disputes. The Board consists of up to fifteen members. The Partners and key stakeholders appoint fourteen members representing Plan members and Plan employers. The Chair is appointed by the other trustees. The Board is fully responsible for the management of the Plan, including investment of the assets and administration of the Plan. The Board may amend the Plan rules as long as changes can be funded by pension fund surpluses or are cost-neutral to the Plan. Unless required to ensure compliance with regulatory enactments applicable to the Plan, Plan rule changes that result in contribution rate changes can only be initiated by the Partners.

British Columbia Pension Corporation (Pension Corporation)
The Pension Corporation provides benefit administration services as an agent of the Board.

British Columbia Investment Management Corporation (bcIMC)
bcIMC provides investment management services as an agent of the Board.

PUBLIC SERVICE PENSION PLAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2009

1. DESCRIPTION OF THE PUBLIC SERVICE PENSION PLAN (continued)

c) Contributions

The following member and employer contributions apply to the majority of members, excluding certain limited groups with higher contribution rates required to fund the cost of their benefits.

Basic Account
Members contribute to the Basic Account 6.13% (6.28% effective April 1, 2009) of salaries up to and including the Canada Pension Plan Year's Maximum Pensionable Earnings (YMPE) ($46,300 in 2009) and 7.63% (7.78% effective April 1, 2009) of salaries above the YMPE, less amounts allocated to the Supplemental Benefits Account (Notes 5, 7 and 10).

Employer contributions to the Basic Account generally match those for members, less amounts allocated to the Supplemental Benefits Account (Notes 5 and 10).

Inflation Adjustment Account
Members contribute 1.50% of salaries to the Inflation Adjustment Account (IAA). Employers contribute 2.50% of salaries to the IAA, less amounts allocated to the Supplemental Benefits Account (Notes 7 and 10).

d) Pension Benefits

The following pension benefits apply to the majority of members, excluding certain limited groups. For example, certain public safety occupations may be eligible for a benefit earlier than indicated.

Members with two years of contributory service are eligible for a pension benefit.

Members are eligible for unreduced pension benefits:

- at age 65;
- at age 60, with at least 2 years contributory service; or
- at age 55 or older, where age plus years of service equals 85 or more.

Other retiring members have a reduction formula applied to their pensions.

The defined basic plan benefit is integrated with the Canada Pension Plan (CPP). As a result, the Plan provides an unreduced benefit of 1.35% (1.3% for members who terminated prior to March 1, 2002) of pensionable earnings up to the YMPE, and 2% of pensionable earnings over the YMPE, for each year of pensionable service (to a maximum of 35 years). Pensionable earnings are based on the member's five-year highest average salary (HAS).

PUBLIC SERVICE PENSION PLAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2009

1. DESCRIPTION OF THE PUBLIC SERVICE PENSION PLAN (continued)

d) Pension Benefits (continued)

The Plan also provides a bridge benefit payable to age 65 (or the date of death, if earlier). The bridge benefit is 0.65% (0.7% for members who terminated prior to March 1, 2002) of the lesser of the YMPE or the HAS.

Increases to pension payments are not guaranteed but may be provided each January 1 in accordance with the indexing provisions of the Plan. These increases may not exceed the annual increase in the Canada Consumer Price Index (CPI) as at the previous September 30, and are subject to availability of funds in the Inflation Adjustment Account (Note 6 and 7b).

At January 1, 2009, retired members received a full CPI increase of 3.4% (2008: 2.5%).

e) Termination and Portability Benefits

A terminating member who is eligible for a pension, but has not reached the earliest retirement age may choose:

- a deferred pension; or
- a transfer of the commuted value of the pension benefit (the minimum value is the member's contributions with interest) to a locked-in registered retirement savings plan or similar tax-sheltered plan.

A terminating member may also choose to leave monies on deposit in anticipation of future entitlements. A terminating member who is not eligible to receive a pension may also choose a refund of contributions with interest.

Where there are portability arrangements between the Plan and other pension plans, members may be able to transfer certain pension rights.

f) Other Benefits

Disability and survivor benefits are also available under the Plan. Supplemental benefits (Note 10) may also be funded from the Supplemental Benefits Account. Under certain circumstances, members may also reinstate or purchase additional service to increase their future pension benefits issued before March 31, 2010.

g) Income Taxes

The Plan is a Registered Pension Plan (RPP), as defined in the *Income Tax Act* (Canada), except for any supplemental benefits (Note 10) which are funded in addition to the RPP. The Plan is not subject to income taxes.

PUBLIC SERVICE PENSION PLAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2009

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Presentation

These financial statements are prepared on the going concern basis and present the Plan as a separate financial reporting entity, independent of the Plan's contributing employers and members, and independent of any associated retired member group benefit plans. The Statement of Net Assets Available for Benefits shows the assets under control of the Board. It does not purport to show whether these assets are adequate to meet all of the obligations of the Plan. The actuarial valuation of the basic account for funding purposes is included in Note 7.

Certain comparative figures have been reclassified to conform with the current year's presentation.

b) Investments

Investments are stated at fair value and consist primarily of direct ownership in units of pooled investment portfolios. The units of pooled investment portfolios are valued regularly based on the value of the underlying assets. Fair values for 68% of these assets are based on public market prices or quotations from investment dealers. Where public market prices or quotations are not available, fair values are derived using valuation methods such as discounted cash flows, earnings multiples, appraisals, prevailing market rates for instruments with similar characteristics and other pricing models, as appropriate. The fair value of derivative contracts is included in the fair value of pooled investment portfolios.

Investment purchases and sales are recorded on the trade date (the date upon which the substantial risks and rewards of ownership have been transferred).

c) Investment Income

Income from investments is recorded on the accrual basis and represents pooled investment portfolio income attributable to the Plan as a unit holder and income from directly held investments. The current period change in fair value includes realized and unrealized gains and losses which are included in investment income.

Within the pools, dividends are accrued on the ex-dividend date. Income received and paid from derivative contracts is recognized on the accrual basis. Gains and losses on derivative contracts are recognized concurrently with changes in their fair values.

The investment pools are denominated in Canadian dollars with all foreign denominated balances and transactions translated into Canadian dollars at the relevant foreign exchange rate.

PUBLIC SERVICE PENSION PLAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2009

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Use of Estimates

The preparation of financial statements, in conformity with Canadian generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of increases and decreases in assets during the period. Significant areas requiring the use of management estimates relate to the valuation of investments and the estimate of the actuarial position of the Basic Account. Actual results could differ from these estimates.

e) Change in Accounting Policy

On April 1, 2008, the Plan adopted the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3862, Financial Instruments – Disclosure and Section 3863, Financial Instruments – Presentation. The new disclosure standards replace Section 3861, Financial Instruments – Disclosure and Presentation. These new sections place increased emphasis on disclosure about the nature and extent of risks arising from financial instruments and how the Plan manages these risks. These standards impacted the disclosures the Plan provides, (Note 12,) but did not affect the Plan's results of operations or financial position.

On April 1, 2008, the Plan adopted CICA Handbook Section 1535, Capital Disclosures, (Note 13,) which requires an entity to disclose information that enables users of its financial statements to evaluate an entity's objectives, policies and processes for managing capital, including disclosures of any externally imposed capital requirements and the consequences of non-compliance. This standard impacted the disclosures the Plan provides but did not affect the Plan's results of operations or financial position.

f) Recent Accounting Pronouncements

In the first quarter of 2009, the Canadian Accounting Standards Board (AcSB) proposed that while the use of International Financial Reporting Standards (IFRS) will be required for Canadian publicly accountable enterprises for fiscal years beginning on or after January 1, 2011, that the primary standard applicable to pension plans will continue to be the CICA Handbook Section 4100 – Pension Plans, instead of International Accounting Standards 26 – Accounting and Reporting by Retirement Benefit Plans. The AcSB has identified certain modifications to CICA Handbook Section 4100 which have been incorporated in an exposure draft, which was issued in July 2009 with comments being accepted to October 31, 2009. The final standard is expected to be issued before December 31, 2009. The Plan will assess the impact of these proposed accounting changes on the financial statements and related notes.

PUBLIC SERVICE PENSION PLAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2009

3. INVESTMENTS (FAIR VALUE)

	2009			2008
	Basic Account	Inflation Adjustment Account	Total	Total
	($ Thousands)			
Short-term	$ 114,360	$ 67,310	$ 181,670	$ 254,562
Canadian Bonds (Note 11)	2,605,803	769,021	3,374,824	3,879,779
Canadian Equities	1,716,810	490,565	2,207,375	2,628,134
U.S. Equities	1,796,187	493,095	2,289,282	3,004,470
International Equities	1,767,978	466,052	2,234,030	3,045,269
Foreign Currency	-	-	-	29,629
Mortgages	669,645	194,040	863,685	870,562
Real Estate	1,917,843	553,711	2,471,554	2,751,249
Private Placements	940,328	312,614	1,252,942	1,084,853
	$ 11,528,954	$ 3,346,408	$ 14,875,362	$ 17,548,507

Plan investments consist primarily of direct ownership in units of pooled investment portfolios managed by bcIMC. Each unit gives its holder a proportionate share in the net assets of the pooled investment fund. One or more pooled investment portfolios exist for different types of investments, such as short-term investments, Canadian bonds and Canadian equities. While the purpose of each fund is to invest in a particular type of investment, at any time, given the timing of trading activities, the fund may hold a certain amount of cash or short-term investments. The Plan directly holds Canadian real return bonds of $841.8 million (2008: $743.5 million) and a private placement investment of $154.2 million (2008: $13.2 million).

Short-term investments consist of Canadian and U.S. money market securities, such as treasury bills, with maturities of 15 months or less, and short-term bonds with one to five year terms. Canadian bonds consist of government and corporate bonds and debentures. Equities consist primarily of publicly traded shares, and, in the case of international equities, refer to investments in the markets of Europe and Asia, as well as key emerging markets. The foreign currency pooled fund engages in the buying and selling of foreign currency financial instruments to enhance returns through the active management of foreign currency exposure.

Mortgages consist mainly of Canadian construction, commercial and multi-family residential mortgages. Real estate investments consist mainly of diversified Canadian income-producing properties. Private placements refer to Canadian and international long-term debt or equity investments made outside the structure of public markets (Note 11).

PUBLIC SERVICE PENSION PLAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2009

3. INVESTMENTS (FAIR VALUE) (continued)

The mortgages are secured by real estate and are valued using current market yields. Real estate is valued quarterly by bcIMC's external real estate investment managers and, at least once every ten to eighteen months, by accredited independent appraisers to establish current market values. Private placements are valued annually based on financial statements from private placement external managers.

Derivative contracts are held indirectly through various pooled investment portfolios to enhance return, manage exposure to interest rate and foreign currency risk, and for asset mix management purposes. Derivative contracts are financial contracts, the value of which is derived from the value of underlying assets, indices, interest rates, or exchange rates.

4. INVESTMENT INCOME

	2009			2008
	Income Allocation	Current Period Change In Fair Value	Total	Total
		($ Thousands)		
Basic Account				
Short-term	$ 9,431	$ 4,138	$ 13,569	$ 31,886
Canadian Bonds	129,556	(35,291)	94,265	162,713
Canadian Equities	37,862	(600,123)	(562,261)	55,776
U.S. Equities	47,444	(554,221)	(506,777)	(241,531)
International Equities	71,294	(832,100)	(760,806)	(345,279)
Foreign Currency	366	(78)	288	(3,055)
Mortgages	36,891	588	37,479	35,400
Real Estate	49,722	(206,670)	(156,948)	285,047
Private Placements	48,668	(100,060)	(51,392)	77,368
	$ 431,234	$ (2,323,817)	$ (1,892,583)	$ 58,325
Inflation Adjustment Account				
Short-term	$ 2,989	$ 1,228	$ 4,217	$ 10,191
Canadian Bonds	41,145	(10,790)	30,355	51,878
Canadian Equities	11,750	(184,155)	(172,405)	16,313
U.S. Equities	14,750	(167,350)	(152,600)	(72,750)
International Equities	21,820	(248,380)	(226,560)	(105,476)
Foreign Currency	118	(24)	94	(907)
Mortgages	11,562	205	11,767	11,056
Real Estate	15,592	(62,348)	(46,756)	86,065
Private Placements	18,991	(46,878)	(27,887)	26,199
	$ 138,717	$ (718,492)	$ (579,775)	$ 22,569
Total Investment Income (Loss)	$ 569,951	$ (3,042,309)	$ (2,472,358)	$ 80,894

PUBLIC SERVICE PENSION PLAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2009

4. INVESTMENT INCOME (continued)

Investment income represents realized and unrealized pooled investment portfolio income attributable to the Plan, as a unitholder, and as calculated by bcIMC, and interest income from directly held investments. All income earned within a pooled investment portfolio is reinvested within the portfolio.

5. CONTRIBUTIONS

	2009				2008
	Basic Account	Inflation Adjustment Account	Supplemental Benefits Account	Total	Total
			($ Thousands)		
Employers' contributions					
Province of British Columbia					
Regular	$ 117,368	$ 22,325	$ 3,434	$ 143,127	$ 130,042
Early retirement incentives	-	-	-	-	22
Arrears	-	-	-	-	34
Purchase of service	13,039	3,942	-	16,981	2,344
Leave of absence	252	100	-	352	566
Reinstatement	16	1	-	17	684
Retired member group benefits	-	-	22,708	22,708	20,895
	$ 130,675	$ 26,368	$ 26,142	$ 183,185	$ 154,587
Other employers					
Regular	$ 80,022	$ 14,516	$ 172	$ 94,710	$ 89,660
Early retirement incentives	8	2	-	10	83
Arrears	98	39	-	137	239
Purchase of service	373	143	-	516	3,794
Leave of absence	189	74	-	263	1,206
Retired member group benefits	-	-	15,778	15,778	14,454
	$ 80,690	$ 14,774	$ 15,950	$ 111,414	$ 109,436
Total Employers'	$ 211,365	$ 41,142	$ 42,092	$ 294,599	$ 264,023
Members' contributions					
Regular	$ 190,987	$ 44,689	$ 1,081	$ 236,757	$ 218,817
Arrears	106	25	-	131	243
Purchase of service	5,376	777	-	6,153	5,752
Leave of absence	443	106	-	549	1,568
Reinstatement	390	93	-	483	2,256
Total Members'	$ 197,302	$ 45,690	$ 1,081	$ 244,073	$ 228,636
Total Contributions	$ 408,667	$ 86,832	$ 43,173	$ 538,672	$ 492,659

Member and employer contributions are as defined under the Plan rules.

PUBLIC SERVICE PENSION PLAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2009

6. ACCOUNT TRANSFERS

	2009		2008	
	Basic Account	Inflation Adjustment Account	Basic Account	Inflation Adjustment Account
	($ Thousands)			
Present value of current indexing supplements	$ 179,733	$ (179,733)	$ 121,518	$ (121,518)
Indexing of deferred pensions	6,202	(6,202)	5,177	(5,177)
	$ 185,935	$ (185,935)	$ 126,695	$ (126,695)

The Inflation Adjustment Account (IAA) is a separate account that is maintained for funding current and future indexing supplements. The IAA is funded through a portion of ongoing contributions from employers and members (Note 1c), from investment income earned on its own assets, and from excess interest earned in the Basic Account.

All pension payments are made from the Basic Account. Each year, when members' pension payments are adjusted for current indexing, monies are transferred from the IAA to the Basic Account to cover the present value of all future payments arising from the current indexing supplements.

When a deferred pension begins to be paid, the present value of the cost of living changes during the deferral period is transferred from the IAA to the Basic Account.

There have been no excess interest transfers to the IAA for the years ended March 31, 2003 through 2009. Excess interest is based on investment income earned on those Basic Account assets required for pensions currently being paid, approximately $5.8 billion of assets for 2009 (2008: $5.2 billion). The excess interest rate of return is determined by taking the difference between the actual five-year annualized market rate of return (3.70%) and the rate of return used by the actuary (6.50%) in valuing the Plan's liabilities. The calculated excess interest rate of return for 2009 was -2.80% (2008: 4.45%) resulting in a negative excess interest amount of $162.8 million (2008: $230.2 million positive excess interest). The cumulative negative excess interest amount of $279.9 million will be offset against future positive excess interest amounts before positive excess interest transfers resume from the Basic Account.

Excess Interest

	2009	2008
	($ Millions)	
Cumulative negative excess interest, beginning of year	$ (112.9)	$ (308.5)
Interest applied to beginning of year amount	(4.2)	(34.6)
(Negative excess interest)/excess interest	(162.8)	230.2
Cumulative negative excess interest, end of year	$ (279.9)	$ (112.9)

PUBLIC SERVICE PENSION PLAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2009

7. ACTUARIAL VALUATION OF THE BASIC ACCOUNT FOR FUNDING PURPOSES

a) Basic Account

An actuarial valuation of the Plan's assets and pension obligations is performed at least every three years by an independent actuary to determine an appropriate combined employer and member contribution rate to fund the Basic Account. For this purpose, the Plan's actuary values both accrued assets and accrued benefit obligations to the financial statement date, and contributions and benefits for future service. The actuary's calculated contribution rate is based on the entry-age method. This method produces the level rate of member and employer contributions sufficient to provide benefits for the average future new entrants to the Plan.

The Basic Account is the account from which the defined basic benefits of the Plan are paid. It is also the account from which any indexing that has been granted to retired members is paid. Future indexing benefits are not guaranteed within the Plan provisions and are granted to retired members only to the extent that sufficient assets are available from the IAA to fund those benefits. As indexing is granted, the Basic Account receives from the IAA the present value funding necessary for the indexing granted. Therefore, accrued basic pension benefits for valuation purposes include the liability for all indexing granted to the date of the valuation, but not for as yet unknown future indexing.

The latest full actuarial valuation for funding purposes was prepared as at March 31, 2008 by Eckler Ltd.

As at March 31	2008	2005
	($ Millions)	
Net assets available for basic pension benefits	$ 13,504	$ 10,787
Five year market value smoothing adjustment	(427)	(429)
Smoothed assets for basic pension benefits	13,077	10,358
Value of future contributions at current rate	3,089	1,896
Net actuarial assets for basic pension benefits	16,166	12,254
Liability for accrued basic pension benefits	(15,679)	(13,021)
Actuarial surplus (unfunded liability)	$ 487	$ (767)

The following long-term actuarial assumptions were used:

- annual investment return 6.50% (2005: 6.75%)
- annual salary escalation rate 3.75% (2005: 4.00%)

The next full actuarial valuation will be at March 31, 2011, for inclusion in the March 31, 2012 financial statements.

PUBLIC SERVICE PENSION PLAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2009

7. ACTUARIAL VALUATION OF THE BASIC ACCOUNT FOR FUNDING PURPOSES (CONTINUED)

a) Basic Account (continued)

The Joint Trust Agreement (Agreement) specifies that, if an actuarial valuation indicates that increased basic contribution rates are required, the increase must be shared equally by members and employers. The agreement also describes the manner in which the Board can elect to apply surplus assets.

Based on the 2008 actuarial valuation, the actuary determined that an increase in contribution rates was necessary for the Plan to maintain its proper funding. Effective April 1, 2009 member and employer basic contributions rates each increased by 0.15% of salaries, as recommended by the actuary.

b) Inflation Adjustment Account (IAA)

No unfunded liability exists for the IAA since the obligation for future indexing benefits is limited to the amount of the available assets in the account. As indexing is granted to retired members, full funding for that granted indexing, on a net present value basis, is transferred from the IAA to the Basic Account, from which the pensions are paid. There is no minimum level of indexing required to be paid under the Plan rules, nor is there any Plan provision to fund the IAA to any minimum level of future potential indexing.

The Board monitors the performance of the IAA and, at least annually, reviews a sensitivity analysis of the projected impact on the IAA of possible differing future economic trends. Such factors include inflation rates, real wage growth rates, real investment rates of return and group health benefits costs. This sensitivity analysis assists the Board to identify scenarios, some years in advance of their possible occurrence, when the IAA assets may cease to grow and when the Plan may not be able to grant full indexing of benefits. As long as there are contributions to the IAA, there will be some measure of indexing protection for retired members.

8. ACTUARIAL VALUATION OF THE BASIC ACCOUNT FOR ACCOUNTING PURPOSES

An actuarial valuation is performed at least every three years. Its primary objective is to assess the financial position and adequacy of funding for the Basic Account of the Plan as described in Note 7a. As part of the actuarial valuation, the actuary also calculates values, for accounting purposes, for Basic Account assets as at, and pension liabilities accrued to, the financial statement date. For this purpose, contributions and benefits for future service are not included, in contrast to their inclusion in the valuation for funding purposes as described in Note 7a.

The latest full valuation for accounting purposes was made as at March 31, 2008, by Eckler Ltd. This valuation disclosed an actuarial surplus of $1,062 million (2005: $439 million).

PUBLIC SERVICE PENSION PLAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2009

8. ACTUARIAL VALUATION OF THE BASIC ACCOUNT FOR ACCOUNTING PURPOSES (continued)

The next full actuarial valuation will be at March 31, 2011, for inclusion in the March 31, 2012 financial statements.

The liability for accrued basic pension benefits at the valuation date is determined using the projected benefit method prorated on service. Net assets are valued using five-year market value smoothing. For accounting purposes, an estimate of the actuarial position between valuations is required. This estimate, called an extrapolation, has been made to March 31, 2009, using the following long-term actuarial assumptions.

- annual investment return 6.50%
- annual salary escalation rate 3.75%

On this basis, the extrapolated value of the surplus at March 31 is as follows:

	2009	2008
Extrapolated Actuarial Liability for Accrued Basic Pension Benefits	*($ Millions)*	
Extrapolated actuarial liability, beginning of year	$ 11,774	$ 11,110
March 31, 2008 Valuation adjustment	241	-
Extrapolated actuarial liability, beginning of year	12,015	11,110
Account transfers	186	127
Current period benefit costs	457	420
Benefits	(651)	(628)
Interest accrued on liability	777	745
Extrapolated actuarial liability, end of year	$ 12,784	$ 11,774
Extrapolated Actuarial Assets Available for Basic Pension Benefits		
Fair value of Basic Account net assets available for benefits	11,552	13,503
Fair value changes not reflected in extrapolated assets	2,327	(1,380)
Extrapolated actuarial assets, end of year	$ 13,879	$ 12,123
Extrapolated surplus, March 31	$ 1,095	$ 349

Extrapolated actuarial assets for 2009 were increased by $954 million as a result of the March 31, 2008 valuation.

Extrapolations may not be reliable indicators of the next valuation results nor do they necessarily reflect the overall trend of results. Between valuations, actual wage increases, investment earnings and the incidence of retirements, withdrawals, etc. may vary significantly from the long-term assumptions used in the extrapolation.

No unfunded liability exists for the IAA, since the obligation for future indexing benefits is limited to the amount of the available assets in the account.

PUBLIC SERVICE PENSION PLAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2009

9. RELATED PARTY TRANSACTIONS

a) Transfers from Members of the Legislative Assembly (MLA) Superannuation Account

The Members of the Legislative Assembly Superannuation Account (Account) was established under Part 2 of the *Members' Remuneration and Pensions Act* (Act). The Act was amended in July 1995 to discontinue the accrual of benefit entitlements under Part 2 of the Act after June 19, 1996. As at March 31, 2009, ten members remain with eligibility for a benefit from the Account.

When an eligible MLA is granted a pension, the present value of the pension is transferred from the Account to the Plan, from which monthly benefits are paid. During the years ended March 31, 2009 and 2008 there were no pensions granted and therefore no transfers occurred.

b) Investment and Administration Costs

	2009	2008
	($ Thousands)	
Investment Management	$ 19,653	$ 28,122
Benefit Administration	8,940	8,380
Board Remuneration and Expenses	234	223
Board Secretariat Costs	220	205
Other Professional Services	461	317
	$ 29,508	$ 37,247

bcIMC and the Pension Corporation are related parties to the Plan. The Board appoints members to each of the respective corporate boards. bcIMC and the Pension Corporation are participating employers in the Plan.

Costs for investment management services charged by bcIMC include costs for recovery of its internal and external investment management fees except those external management fees related to corporations wholly owned by the investment pooled funds.

Investment management costs of $6.8 million (2008: $17.6 million) representing the external management costs incurred by wholly-owned corporations of the investment pooled funds are not included in the above amount. External management costs incurred by wholly-owned corporations are netted against their reported investment income.

Benefit administration costs represent amounts charged to recover benefit administration costs incurred by the Pension Corporation. These costs are approved by the Board. Included in accounts payable is $1.3 million (2008: $1.5 million) due to the Pension Corporation for those costs.

These transactions are in the normal course of operations and are measured at the exchange amount of consideration established and agreed to by the related parties.

PUBLIC SERVICE PENSION PLAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2009

9. RELATED PARTY TRANSACTIONS (continued)

b) Investment and Administration Costs (continued)

Board secretariat costs represent amounts for staffing and other costs associated with Board support.

Other professional services include actuarial, insurance, audit and legal fees.

10. SUPPLEMENTAL BENEFITS ACCOUNT

The Supplemental Benefits Account is the account through which certain supplemental benefits are funded. For example, pension benefits which exceed the *Income Tax Act (Canada)* limits for registered pension plans are paid through this account. Certain group benefit coverage may also be provided for retired members through this account. The availability, type and level of retired member group benefit coverage is contingent upon the availability of funding for such benefits.

To the extent that group benefits are funded from the Supplemental Benefits Account, they are funded from current contributions that would otherwise be employer inflation contributions and cannot exceed 50% of the total of current member and employer inflation adjustment contributions. Retired member group benefit costs (shown on the Statement of Changes in Net Assets Available for Benefits) represent group benefit costs paid by the Plan less any premiums paid by retired members.

11. COMMITMENTS

The Plan participates in private placement and international real estate pools that are managed by bcIMC. As at March 31, 2009, the Plan's share of commitments (over the next several years) for future investment contracts in these pools is approximately $881.4 million (2008: $836.1 million).

bcIMC has established collateral accounts for the Plan that are pledged as security for future investment opportunities. As at March 31, 2009, $27.1 million (2008: $28.0 million) of Basic Account Canadian bonds are being held as collateral for an investment commitment of $10.1 million and other assured investment activity.

12. FINANCIAL INSTRUMENTS

The Plan's investments are recorded at fair value. Other financial instruments consist of cash, accounts receivable, accounts payable and accrued expenses. The fair values of these financial instruments approximate their carrying values.

PUBLIC SERVICE PENSION PLAN
NOTES TO THE FINANCIAL STATEMENTS
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12. FINANCIAL INSTRUMENTS (continued)

The Board approves the long-term asset mix policy for investment assets through its Statement of Investment Policies and Procedures (SIPP) and oversees the management of these assets through the Board's investment management agent, bcIMC. The SIPP requires diversification of investments within asset classes, sets guidelines on investment categories and limits the exposure to individual investments and counterparties.

Significant risks are regularly monitored and managed by bcIMC and actions are taken when appropriate, according to the Plan's SIPP. In addition, these risks are reviewed periodically with the Board.

a) Market Risk

Market risk is the risk that the fair values of an investment will fluctuate as a result of changes in market conditions, whether those changes are caused by factors specific to the individual investment, or factors affecting all securities traded in the Market. Market risk is comprised of foreign currency risk, interest rate risk, and price risk. Market risk is reduced through asset class diversification, diversification within each asset class and credit quality constraints on investments.

i) Foreign Currency Risk

Foreign currency exposure arises from foreign currency denominated investments held indirectly through pooled investment portfolios. Fluctuations in the relative value of the Canadian dollar against these foreign currencies can result in a positive or a negative effect on the fair value of investments. bcIMC has currency exposure management programs under which it hedges foreign currency exposure through the use of foreign currency forward contracts. A foreign currency forward contract is a contractual obligation either to buy or sell a specified amount of foreign currency at a predetermined future date and exchange rate. The Plan's total direct and indirect currency exposure, the impact of hedging and trading activities and its net exposure as at March 31 are as follows:

	2009 Fair Value By Currency				2008 Fair Value By Currency			
($ Millions Cdn dollar equivalent)	Total Exposure	Hedging	Net Exposure	% of Total	Total Exposure	Hedging	Net Exposure	% of Total
Canada	$ 9,832	$ -	$ 9,832	66%	$ 11,370	$ -	$ 11,370	70%
United States	2,887	(133)	3,020	20%	2,929	939	1,990	12%
Euro Countries	851	1	850	6%	1,389	(30)	1,419	8%
Other Pacific	389	-	389	3%	533	(13)	546	3%
Japan	366	1	365	2%	523	-	523	3%
Other Europe	245	4	241	2%	278	22	256	2%
United Kingdom	322	247	75	1%	528	266	262	1%
Emerging markets	1	-	1	0%	2	-	2	1%
	$ 14,893	$ 120	$ 14,773	100%	$ 17,552	$ 1,184	$ 16,368	100%

PUBLIC SERVICE PENSION PLAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2009

9. RELATED PARTY TRANSACTIONS (continued)

b) Investment and Administration Costs (continued)

Board secretariat costs represent amounts for staffing and other costs associated with Board support.

Other professional services include actuarial, insurance, audit and legal fees.

10. SUPPLEMENTAL BENEFITS ACCOUNT

The Supplemental Benefits Account is the account through which certain supplemental benefits are funded. For example, pension benefits which exceed the *Income Tax Act (Canada)* limits for registered pension plans are paid through this account. Certain group benefit coverage may also be provided for retired members through this account. The availability, type and level of retired member group benefit coverage is contingent upon the availability of funding for such benefits.

To the extent that group benefits are funded from the Supplemental Benefits Account, they are funded from current contributions that would otherwise be employer inflation contributions and cannot exceed 50% of the total of current member and employer inflation adjustment contributions. Retired member group benefit costs (shown on the Statement of Changes in Net Assets Available for Benefits) represent group benefit costs paid by the Plan less any premiums paid by retired members.

11. COMMITMENTS

The Plan participates in private placement and international real estate pools that are managed by bcIMC. As at March 31, 2009, the Plan's share of commitments (over the next several years) for future investment contracts in these pools is approximately $881.4 million (2008: $836.1 million).

bcIMC has established collateral accounts for the Plan that are pledged as security for future investment opportunities. As at March 31, 2009, $27.1 million (2008: $28.0 million) of Basic Account Canadian bonds are being held as collateral for an investment commitment of $10.1 million and other assured investment activity.

12. FINANCIAL INSTRUMENTS

The Plan's investments are recorded at fair value. Other financial instruments consist of cash, accounts receivable, accounts payable and accrued expenses. The fair values of these financial instruments approximate their carrying values.

PUBLIC SERVICE PENSION PLAN
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12. FINANCIAL INSTRUMENTS (continued)

The Board approves the long-term asset mix policy for investment assets through its Statement of Investment Policies and Procedures (SIPP) and oversees the management of these assets through the Board's investment management agent, bcIMC. The SIPP requires diversification of investments within asset classes, sets guidelines on investment categories and limits the exposure to individual investments and counterparties.

Significant risks are regularly monitored and managed by bcIMC and actions are taken when appropriate, according to the Plan's SIPP. In addition, these risks are reviewed periodically with the Board.

a) Market Risk

Market risk is the risk that the fair values of an investment will fluctuate as a result of changes in market conditions, whether those changes are caused by factors specific to the individual investment, or factors affecting all securities traded in the Market. Market risk is comprised of foreign currency risk, interest rate risk, and price risk. Market risk is reduced through asset class diversification, diversification within each asset class and credit quality constraints on investments.

i) Foreign Currency Risk

Foreign currency exposure arises from foreign currency denominated investments held indirectly through pooled investment portfolios. Fluctuations in the relative value of the Canadian dollar against these foreign currencies can result in a positive or a negative effect on the fair value of investments. bcIMC has currency exposure management programs under which it hedges foreign currency exposure through the use of foreign currency forward contracts. A foreign currency forward contract is a contractual obligation either to buy or sell a specified amount of foreign currency at a predetermined future date and exchange rate. The Plan's total direct and indirect currency exposure, the impact of hedging and trading activities and its net exposure as at March 31 are as follows:

	2009 Fair Value By Currency				2008 Fair Value By Currency			
($ Millions Cdn dollar equivalent)	Total Exposure	Hedging	Net Exposure	% of Total	Total Exposure	Hedging	Net Exposure	% of Total
Canada	$ 9,832	$ -	$ 9,832	66%	$ 11,370	$ -	$ 11,370	70%
United States	2,887	(133)	3,020	20%	2,929	939	1,990	12%
Euro Countries	851	1	850	6%	1,389	(30)	1,419	8%
Other Pacific	389	-	389	3%	533	(13)	546	3%
Japan	366	1	365	2%	523	-	523	3%
Other Europe	245	4	241	2%	278	22	256	2%
United Kingdom	322	247	75	1%	528	266	262	1%
Emerging markets	1	-	1	0%	2	-	2	1%
	$ 14,893	$ 120	$ 14,773	100%	$ 17,552	$ 1,184	$ 16,368	100%

PUBLIC SERVICE PENSION PLAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2009

12. FINANCIAL INSTRUMENTS (continued)

i) Foreign Currency Risk (continued)

Included in this table, as at March 31, 2009, are net accounts receivable (2008: net accounts payable) for outstanding sales and purchases of investments and accrued investment income.

As at March 31, 2009, if the Canadian dollar strengthened or weakened by 10% in relation to all foreign currencies, with all other factors remaining constant, net assets would have decreased or increased by approximately $494.1 million (2008: $499.9 million).

ii) Interest Rate Risk

Interest rate risk is the risk that the Plan's investments will change in fair value due to future fluctuations in market interest rates. The risk arises primarily on interest-bearing financial instruments held in short-term investments, fixed income investment pools (bonds and mortgages) and Canadian real return bonds held directly by the Plan. Actuarial liabilities are also affected by changes in long-term market interest rates. The risk of adverse changes in interest rates is reduced within the underlying investment pools through management of duration in exposure to fixed income securities, the use of floating rate notes and general diversification by security type and geographic region.

The terms to contractual maturity of interest-bearing financial instruments (including accrued interest receivable), as at March 31, are as follows:

	Terms to maturity				2009		2008	
Interest-bearing financial instruments	**Within**	**1 to 5**	**>5 to 10**	**Over 10**		**Effective Yield**		**Effective Yield**
($ Millions)	**1 Year**	**Years**	**Years**	**Years**	**Total**	**to Maturity**	**Total**	**to Maturity**
Short-term	$ 124	$ 58	$ -	$ -	$ 182	0.74%	$ 255	3.29%
Bonds	47	932	641	913	2,533	4.32%	3,136	4.12%
Real return Bonds	-	-	-	849	849	1.85%	751	1.57%
Mortgages	199	385	269	11	864	5.20%	871	4.73%
	$ 370	$ 1,375	$ 910	$ 1,773	$ 4,428	3.87%	$ 5,013	3.80%

As at March 31, 2009, if the prevailing interest rates increased or decreased by 1%, assuming a parallel shift in the yield curve, with all other variables remaining constant, net assets would have decreased or increased by approximately $200.3 million (2008: $347.6 million).

iii) Price Risk

Price risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market prices (other than those arising from foreign currency risk or interest rate risk) whether those changes are caused by factors specific to the individual financial instrument, its issuer, or factors affecting all similar financial instruments traded in the market. The Plan's investments are subject to price risk through its equity investments

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12. FINANCIAL INSTRUMENTS (continued)

iii) Price Risk (continued)

and private market investments. bcIMC moderates this risk by diversifying its investments across asset classes based on criteria established in the SIPP. As at March 31, 2009, if equity prices (excluding private market investments and the non-equity balances in the Canadian, US and International equity funds) increased or decreased by 10% with all other factors remaining constant, net assets would have increased or decreased by approximately $661.4 million (2008: $856.0 million).

b) Credit Risk

Credit risk is the risk that a loss may occur from the failure of another party to perform according to the terms of a contract. Credit risk can also lead to losses when issuers and debtors are downgraded by credit rating agencies, usually leading to a fall in the market value of the debtors' obligations. Credit risk is managed by establishing specific investment criteria, such as minimum credit ratings for investees and counterparties and maximum concentration limits with given counterparties.

Rated interest-bearing financial instruments

	2009		2008	
Credit Rating*	***($ Millions)***		***($ Millions)***	
AAA/AA	$ 2,592	75%	$ 3,401	86%
A	747	22%	535	13%
BBB	114	3%	32	1%
	$ 3,453	100%	$ 3,968	100%

* Standard & Poor's

The ratings used are defined by the Standard & Poor's rating agency. Obligations rated AAA/AA have the highest rating assigned in such cases. The lenders' capacity to meet its financial commitment on the obligation is very strong. Bonds assigned an A or BBB rating are weaker with the BBB rating denoting an obligation with adequate protection parameters.

Credit exposure also exists for investments in mortgages of $864 million (2008: $871 million), short-term investments of $111 million (2008: $77 million) and nil (2008: $97 million) of other assets held in the bond fund. Total exposure in the short-term investments, bond and mortgage funds are $4,428 million (2008: $5,013 million).

c) Liquidity Risk

Liquidity risk is the risk of not being able to meet the Plan's cash requirements in a timely and cost effective manner. The Plan forecasts its cash requirements over the near and long term to determine whether sufficient funds are available. The Plan's primary source of liquidity is income generated from the Plan's investments and employer and employee contributions. bcIMC primarily invests in securities that are traded in active markets and can be readily sold.

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13. CAPITAL DISCLOSURES

The Plan's capital is comprised of its net assets available for benefits. The Plan's objective for managing capital, including member and employer contributions, is to ensure that the assets of the Plan are invested prudently and effectively to meet the future obligations of the Plan. The Statement of Net Assets Available for Benefits shows the assets under control of the Board. The actuarial valuation of the basic account for funding purposes is included in Note 7.

The Plan is established through the *B. C. Public Sector Pension Plans Act* and a Joint Trust Agreement made effective January 1, 2001 which describes the composition, appointment, power, functions and duties of the Board of Trustees, and provides the authority for the Board to make Plan rules. The Board of Trustees is responsible for the governance of the Plan, including investment of the assets and administration of the Plan. The Plan is registered under the *B.C. Pension Benefits Standards Act,* and is a registered pension plan as that term is defined in the *Income Tax Act.* Investment management services for the Plan are provided, as agent, by bcIMC. Investments are based on an asset mix consistent with the Board approved SIPP. The investment performance of the Plan assets is reviewed by the Board on a quarterly basis compared to relevant industry benchmarks. An actuarial valuation, which is used to determine the adequacy of employer and employee funding contribution rates, must be prepared at least once every three years.

Public Service Pension Plan

This is a publication of the
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